

Stock Code: 1419



Shinkong Textile Co., Ltd.

2023 Annual Report

Notice to readers

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

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Annual Report is available at: <http://mops.twse.com.tw>

Company website: <http://www.sktextile.com.tw>

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Chapter 1. Letter to Shareholders

Dear Shareholders,

The year 2023 was characterized by unpredictability and change, facing numerous unprecedented situations:

- I. Global inflation has risen, accompanied by an increase in interest rates.
- II. The Russia-Ukraine war persists without any indication of peace.
- III. The outbreak of Israel-Palestine Conflict erupted in the Middle East.
- IV. Major real estate companies in mainland China have encountered financial issues, leading to a downturn in the domestic market demand across China.

These various factors have led to a contraction in the global market, resulting in a widespread decline of around 10% to 20% across various industries.

The Company's primarily export-oriented Sales Department is also facing similar challenges. Fortunately, due to the appropriate diversification of customers and products, our revenue has maintained a stable, modest growth. However, in the domestic retail market, the slight decline is attributed to the relaxation of overseas travel restrictions for Taiwanese citizens. Hence, taking into account both the domestic and international markets, the annual revenue remains relatively stable compared to the previous year.

Details on production and sales are stated as follows:

I. Production conditions:

In this period, the Company achieved 3,964,361 yards fabric compared to the last period of 4,315,194 yards, decreased 350,833 yards; processed 17,911,070 yds, a decrease of 2,045,109 yards as compared to the last period of 19,956,179 yards.

II. Business conditions:

In the current period, the net operating revenue totaled NT\$3,161,190 thousand, an increase of NT\$23,010 thousand as compared to NT\$3,138,180 thousand in the previous period, accounting for 108.98% of the budget.

The operation of departments is summarized below:

- (I) Sales Department: With exports of finished fabrics as the main focus, the current period's revenue totaled NT\$2,228,224 thousand, remaining unchanged from the same period of last year, to 115.98% of the budget. Meanwhile, the industry as a whole experienced a decline in performance ranging from 10% to 20%. The main reasons for this achievement can be attributed to successful expansion with new customers and product diversification. It is indeed commendable that our performance has remained steady due to these two factors.
- (II) Retail Department: With a focus on domestic retail sales in the apparel market, the current period's revenue totaled NT\$775,992 thousand, an increase of 2.41% compared to the same period last year. However, it represented 94.32% of the budget. Due to the gradual relaxation of epidemic prevention policies and overseas travel restrictions for Taiwanese citizens, domestic market consumption has slightly declined, resulting in the inability to effectively improve performance.
- (III) The Business Development Department: Its revenue of the current period was NT\$156,974 thousand, remained unchanged from the same period of last year, accounting for 100.14% of budget.

The operating revenue of 2023 was NT\$3,382,945 thousand, which is an increase of NT\$33,656 compared to the same period of last year, accounting for 108.71% of the budget. Net income after tax attributable to the owner of the company was NT\$648,948 thousand.

III. Business Plan Implementation Results, Budget Execution and Profitability Analysis:

- (I) Results of operation based on 2023 business plan:

NT\$: thousand

Item \ Year	2023	2022	Difference
Net Operating Revenue	3,382,945	3,349,289	33,656
Operating Costs	2,389,671	2,431,251	(41,580)
Gross Profit	993,274	918,038	75,236
Operating Expenses	633,530	618,188	15,342
Other operating income and expenses	-	405	(405)
Profit/(loss) from operations	359,744	300,255	59,489
Net Non-Operating Revenue	413,223	1,963,266	(1,550,043)
Net profit before tax	772,967	2,263,521	(1,490,554)
Current net profit	648,948	2,070,986	(1,422,038)

(II) Budget execution: In accordance with the Regulations Governing the Publication of Financial Forecasts of Public Companies, the Company is not required to prepare the financial forecast in 2024 and thus without disclosure of this information.

(III) Financial position and profitability analysis:

Year		2023	2022	Changes in Percentage(%)
Item				
Return on assets		3.93	12.79	(69.27)
Return on shareholders' equity		5.21	19.04	(72.64)
As a percentage (%) to Paid-in Capital	Operating Income	11.99	10.01	19.78
	Net Income before Tax	25.76	75.44	(65.85)
Net profit margin		19.18	61.83	(68.98)
Earnings per share (NT\$)		2.17	6.92	(68.64)

IV. Summary of Business Plan of this year:

The company's growth strategy has been acknowledged by both the market and our customers in recent years, and the overall revenue has met our expectations. Moving forward, the Company will continue to implement our past strategies and execute a range of plans to further accelerate business and operational growth. The expected project directions are as follows:

- (I) In response to the requirements of customers' geographic projects, we expect to set up an overseas branch in Indonesia to plan for the expansion of the plant and to diversify the risk of centralized production.
- (II) In order to enhance product development and broaden our customer base, we have implemented plans to sustain the growth of our exported finished products.
- (III) The Company has acquired the bidding and sales plan for the navy's military supplies operation station and will commence the execution of the 5+3-year operational rights this year. The first year will be dedicated to consolidating the operational foundation.
- (IV) The Group Uniform Department is actively promoting the ISP recycling plan and enhancing the environmentally-friendly group uniform operational plans.

In conclusion, by implementing the aforementioned plans, it is anticipated that there will be an improvement in this year's revenue and profitability.

V. The future corporate development strategy, the external impact of the competitive environment, regulatory environment and overall business environment:

(I) The future corporate development strategy

In the long run, the climate and ecological crisis is the biggest risk in the future, while inflation and increased raw material costs are the biggest threat in the short term. How to achieve the sustainable development in the post epidemic era is an important issue for the future corporate development. The Company will continue to promote ESG and maintain the Company's long-term competitiveness.

- (1) Promote sustainable recycling of products: In addition to the original recycled materials, further develop a series of products such as biological matrix materials, agricultural waste recycling, 100% recycling of zero waste and durability, so as to improve the added value and threshold of new products and achieve the goal of energy conservation and waste reduction.
- (2) Promote the talent training mechanism: Establish a competent and effective team, maintain the flexibility of the optimal scale, and keep the "vitality" of the organization. Pay attention to employee welfare and career development, continuously implement the direct employment and zero cost for migrant workers. Maintain the interaction with the community and take care of consumer rights.
- (3) Strengthen corporate governance: We strengthen the relationship maintenance with stakeholders, maintain the rights and interests of supply chain manufacturers and the safety of work environment, create profits based on the transparency, openness, efficiency and compliance with laws and regulations, so as to give back to the society and shareholders.

Generally, ESG is the main axis of the company's future development strategy.

(II) Impact from the external competitive environment, regulatory environment and overall economic environment

2023 was challenging for the textile industry due to several factors. The prolonged Russo-Ukrainian War resulted in high prices for staple foods like wheat and corn along with significant global inflationary pressure. Moreover, Mainland China's lockdown during the pandemic and geopolitical relations caused supply chains of various countries to relocate from the country. As a result, the real estate market in Mainland China experienced a downturn, leading to a decrease in purchasing power and impacting the economic growth rate in mainland China, which in turn is linked to the global economic contraction.

Looking ahead to 2024, the rise of AI will heat up the U.S. stock market, U.S. domestic demand will grow strong, and prices will remain stable or even fall in a high interest rate environment. In addition to the thriving semiconductor industry, it is expected that various industries will gradually recover. Shinkong Textile will continue to innovate, make full use of the AI technology trend, and adjust the textile production chain layout in line with the evolving geopolitical landscape.

Regards

Best wishes!

Chairman Hsing-En Wu

Chapter 2. Company Profile

I. Date of Incorporation: June 6, 1955

II. Company History:

In view of Taiwan's booming development in the textile industry, the Company's founder, Mr. Ho-Su Wu, and several business tycoons raised NT\$10 million to construct a plant at Shilin District in April 1955. The initial setup was a capacity of 5,600 spindles to produce rayon yarns for the downstream weaving factory.

To expand the capacity, the Company raised capital by NT\$10 million in March 1957, NT\$46 million in February 1962, NT\$54 million in March 1965, NT\$12 million in June 1966 and NT\$28 million in 1973. By then, the Shilin Plant was equipped with 50,120 spindles, 377 sewing machines, and 58 circular knitting machines.

As the export of natural fibers blended yarns and fabrics were gaining popularity, the Company acquired land at Daxi Township, Taoyuan County to construct the Taoyuan Plant in 1973. The ring spinning frames of 41,280 spindles from Zinser, a reputable West Germany brand, and 600 sets of wide weaving machines from Ruti, a top brand in Switzerland, were introduced, installed and tested successively in 1974. The Company raised capital by NT\$160 million in 1974; NT\$100 million in 1975 and NT\$180 million in 1977. By then, the paid-in capital amounted to NT\$600 million and the two plants together owned 91,400 spindles, 1,027 sewing machines, and 58 knitting machines.

After 1977, 8,744 spindles and 28,104 spindles were added to the Shilin Plant and Taoyuan Plant respectively for optimal utilization of plant space. The overall spinning facilities reached 128,248 spindles, and the Company acquired another 40 sets of Sulzer weaving machines in 1984. The Company then raised capital by NT\$400 million in 1985 to improve its financial structure. Another 54 sets of Sulzer weaving machines were acquired in 1988 to gradually replaced the former shuttle looms. In 1988, as equipment at Shilin Plant were too old to remain effective, production was suspended in

October 1988. The Company switched towards diversification and commenced leasing and sale of commercial buildings and public housing units constructed by commissioned builders.

In 1989, the Company completed the capital increase approved by the annual general meeting in 1988. After the cash capital increase and capitalization of capital surplus of NT\$200 million each, the paid-in capital amounted to NT\$1.4 billion.

In May 1990, the Company completed the issuance of 11,500,000 shares from cash capital increase and 14,000,000 shares for capitalization of capital surplus approved by the annual general meeting as well as the Securities Commission, Ministry of Finance in 1989. After the issuance of 34,500,000 shares in November for capitalization of capital surplus approved by the annual general meeting in 1990, the paid-in capital was NT\$2 billion and 66 sets of Sulzer weaving machines were acquired. In terms of spinning facilities, besides replacing old equipment, the Company adopted automation to gradually increase the production efficiency. The Company completed the capitalization of capital surplus of NT\$400 million in November 1991, NT\$240 million in July 1994 and NT\$264 million in July 1995 for a paid-in capital of NT\$2,904 million.

On April 1, 1996, production of the spinning department at Taoyuan Plant ceased completely.

In 2000, the Company retired 74 sets of old Sulzer weaving machines and acquired a set of filament warping, sizing and beaming machine as well as 30 sets of air-jet weaving machines and 10 sets of rapier weaving machines to improve efficiency and expand capacity for orders. In 2001, Sulzer weaving machines failing to generate economic benefits were retired.

The brand business division was established in May 2004.

In September 2006, the Company completed the issuance of 7,260,000 shares for capitalization of earnings approved by the annual general meeting, resulting in a paid-in capital of NT\$2,976.6 million.

In September 2007, the Company completed the issuance of 2,381,280 shares for capitalization of earnings approved by the annual general meeting, resulting in a paid-in capital of NT\$3,000,412,800.

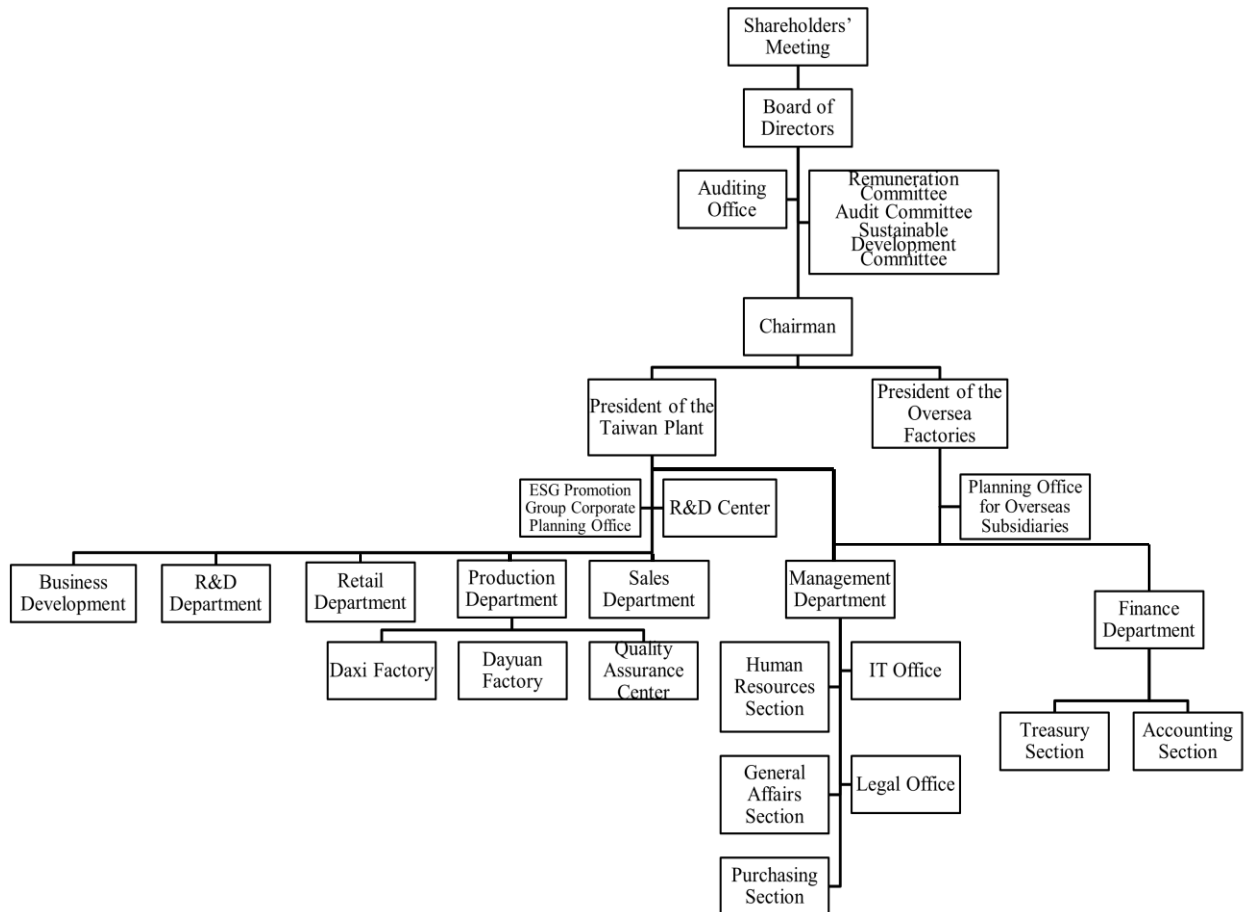
In November 2011, the Company acquired 30 sets of rapier weaving machines and in August 2012, it commenced the construction of a finishing plant at Dayuan Industrial Park. In 2013, the Company acquired automated dyeing and finishing equipment as well as digital textile printing machines. In May 2021, 18 traditional yarn-covering machines and 8 units of air yarn-covering machine were added.

Except for aforementioned disclosures, the Company did not engage in any mergers and acquisitions, investment in associates, reorganization, substantial transfer or replacement of equity interests of directors, supervisors or shareholders holding more than 10% of the Company's shares, changes in management, significant changes in operation or business and other important matters that may affect shareholders' interests during the most recent year and as of the date of this annual report.

Chapter 3. Corporate Governance Report

I. Organizational System

(I) Organizational System Chart



(II) Department Functions

Departments	Responsibilities
Sales Department	Domestic and overseas sale of finished fabrics, market extension and export-related businesses.
Retail Department	Expansion of domestic directly operated stores and channels as well as counter sales and management. New brand and product development; quarterly product purchasing planning. Control of purchase, inventory, production delivery, incoming and outgoing merchandise. Uniform planning, design, production and gift production Establishing a marketplace and e-commerce platform for Navy officers and soldiers to provide weekday clothing and logistics pickup services, replacing the original army appropriation method.
Production Department	Management of greige fabric production. Research and development of new products and improvement of quality and manufacturing process. Control the dyeing, finishing and processing progress of finished fabric.
R&D Center	Preside over the key technology development. Acquire and analyze new materials. Development of new dyeing, finishing and post-processing
R&D Department	New product development, the latest information collection, domestic and international exhibition planning.
Business Development Department	Land development and real estate leasing
Finance Department	Bookkeeping, review, analysis and retention of accounting records using computers, preparation and analysis of financial reports, tax treatments, and preparation, implementation and variance analysis of budgets. Safekeeping and management of petty cash and bank deposits; collection, issuance and safekeeping of notes, management of working capital as well as insurance for assets.
Management Department	Planning, formulating and revising of the Company's system. Human resource planning and performance assessment. General affairs, material purchase and management. Implement and plan the development and maintenance of information system.
Auditing Office	Audit the implementation effectiveness of various internal control regulations and provide improvement suggestions.
Corporate Planning Office ESG promotion group	Strategic planning. CSR and sustainable development

II. Information on the Directors, President, Vice Presidents, Assistant Vice Presidents, and Supervisors of Divisions and Branch Units

(I) Directors' Information

1. Director

March 30, 2024

Title	Nationality/ Place of Registration	Name	Gender and Age	Elected (Appointed) Date	Term	First Election Date	Shareholding at the Time of Appointment		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominees		Major Experience (Education)	Other Position Concurrently Held at the Company and Other Companies	Executives, Directors or Supervisors who Are Spouses or within the Second Degree of Kinship			Note
							Number of shares	Shareholding Ratio (%)	Number of shares	Shareholding Ratio (%)	Number of shares	Shareholding Ratio (%)	Number of shares	Shareholding Ratio (%)			Title	Name	Relationship	
Chairman	R.O.C.	Chichen Co., Ltd.	-	2023.05.26	3 years	2017.05.26	19,650,000	6.549	19,650,000	6.549	-	-	-	-	-	-	-	-	-	None
	R.O.C.	Representative Hsing-Hung Wu	Male 40~49	2023.05.26		2009.06.19	0	0	0	0	0	0	220,000	0.07	Master of Materials Science and Engineering, UCLA Chairman of Shinkong Textile Co.o, Ltd. Chairman of Shinkong Asset Management Co., Ltd.	Note 1	Director	Hsin- Hung Wu	Brother	None
Director	R.O.C.	Haung En Co., Ltd.	-	2023.05.26	3 years	2023.05.26	5,563,669	1.854	0	0	0	0	0	0	-	-	-	-	-	None
	R.O.C.	Representative Hsin-Hung Wu	Male40 ~49	2023.05.26		2009.03.18	0	0	0	0	0	0	0	0	Master of Business Administration, Wharton School of the University of Pennsylvania Chairman of Shinkong Insurance/ Shinkong Textile Co., Ltd. Chairman of Shin Kong Investment Trust Co., Ltd.	Note 2	Chairman	Hsing- En Wu	Brother	None
Director	R.O.C.	Chichen Co., Ltd.	-	2023.05.26	3 years	2017.05.26	19,650,000	6.549	19,650,000	6.549	-	-	-	-	-	-	-	-	-	None
	R.O.C.	Representative Chin-Fa Chiu	Male 60~69	2023.05.26		2003.06.05	5290	0	5,290	0	0	0	0	0	Master of Business Administration, National Taiwan University President of Shinkong Textile Co., Ltd. Executive Vice President of Ruentex Industries Co., Ltd.	Independent Director of Sunny Friend Environmental Technology Co., Ltd.	-	-	-	None

Title	Nationality/ Place of Registration	Name	Gender and Age	Elected (Appointed) Date	Term	First Election Date	Shareholding at the Time of Appointment		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominees		Major Experience (Education)	Other Position Concurrently Held at the Company and Other Companies	Executives, Directors or Supervisors who Are Spouses or within the Second Degree of Kinship			Note
							Number of shares	Shareholding Ratio (%)	Number of shares	Shareholding Ratio (%)	Number of shares	Shareholding Ratio (%)	Number of shares	Shareholding Ratio (%)			Title	Name	Relationship	
Director	R.O.C.	Shin Kong Wu Tung Ching Foundation	-	2023.05.26	3 years	2009.06.19	51,660	0.01	51,660	0.01	-	-	-	-			-	-	-	None
	R.O.C.	Representative Po-Han Lin	Male 50-59	2023.05.26		2021.01.07	0	0	0	0	0	0	0	0	0	Master of Business Administration, Meiji University Chairman of Shinkong Lohas Co., Ltd., Director of Shin Kong Financial Holding	Chairman of Shin Kong Lohas Design Co., Ltd., Chairman of Shin Kong Venture Capital International Co., Ltd., and Shin Kong Mitsukoshi Department Store Co., Ltd.	-	-	-
Independent Director	R.O.C.	Wei-Kan, Chen	Male 40-49	2023.05.26	3 years	2021.07.16	0	0	0	0	0	0	0	0	Master of Finance, University of Cambridge Master of Design Studies (Real Estate), Harvard University Senior Consultant of E.R.C. Group Los Angeles City College Foundation/Director Preferred Bank/First Vice President concurrently Customer Relations Manager of the Commercial Banking Department	Executive Director, Harvard Design International., Ltd.	-	-	-	None
Independent Director	R.O.C.	Mao-Jung Wang	Male 60-69	2023.05.26	3 years	2020.06.19	0	0	0	0	0	0	0	0	Bachelor of Accounting, Soochow University Senior Advisor of Ventec International Group Director and CFO of COSMO Electronics Corporation Director and CFO of Zinwell Corporation	Independent Director of BASO Precision Optics, Ltd.	-	-	-	None
Independent Director	U.S.A.	David Ching	Male 40-49	2023.05.26	3 years	2019.06.14	0	0	0	0	0	0	0	0	BS in Management Science - Economics, University of California, San Diego Founder and President of Violet Lake Pavilion Hotel, Thousand Island Lake, China Founder and President of Ivy Lake View Hotel, Qiandao Lake First Vice President of Corporate Banking Department, Bank of China (China) Limited, Hangzhou Branch	President of Violet Lake Pavillion Hotel, Qiandao Lake President of Ivy Lake View Hotel, Qiandao Lake	-	-	-	None
Note:1	Chairman of Shinkong Asset Management Co., Ltd. , Director of Shinkong Synthetic Fibers Corporation, Director of Shinkong Mitsukoshi Department Store Co., Ltd.																			
Note:2	Chairman of Shinkong Insurance Co., Ltd., Director of Shinkong Co., Ltd.																			

2. Major Shareholders

March 30, 2024

Name of Corporate Shareholders	Major Shareholders	
	Item	Percentage of Ownership
Chichen Co., Ltd.	Cheng Cheng Co., Ltd.	41.546%
	Cheng Qian Co., Ltd.	40.207%
	Ci-Qing Corporation	18.245%
	Tung-Hsien Wu	0.001%
	Ruo-Nan Sun	0.001%
	Hsin-Hung Wu	-
	Hsing-En Wu	-
Haung En Co., Ltd.	Chichen Co., Ltd.	41.290%
	Cheng Cheng Co., Ltd.	20.078%
	Ci-Qing Corporation	19.348%
	Cheng Qian Co., Ltd.	18.294%
	Ruo-Nan Sun	0.989%
	Tung-Hsien Wu	0.001%
Shin Kong Wu Tung Ching Foundation	N/A	-

3. Major Shareholders of Institutional Shareholders with Corporations as Their Major Shareholders

March 30, 2024

Name of Corporation	Substantial Shareholders of Corporate	
	Item	Percentage of Ownership
Cheng Cheng Co., Ltd.	Yong-Le Corporation	33.33%
	Bonteck Industrial Inc.	33.33%
	Huan-Song Corporation	33.33%
Cheng Qian Co., Ltd.	Fu Yu Bu Corporation	50.00%
	Fu Yu Tian Corporation	50.00%
Ci-Qing Corporation	Ruo-Nan Sun	92.59%
	Tung-Hsien Wu	7.41%

4. Director's professional qualifications and Independent Director's independent information disclosure

March 30, 2024

Qualifications Name	Professional Qualification and Work Experience	Independence	Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
Hsing-En Wu	For the professional qualifications and experience of directors, please refer to Note 1 of the board of directors' diversification policy and Implementation on page 21 of this annual report. All directors do not meet any conditions defined in Article 30 of the Company Act (note 1)	N/A	0
Hsin-Hung Wu			0
Chin-Fa Chiu			1
Po-Han Lin			0
Wei-Kan, Chen		All independent directors meeting the following conditions: 1. Meet Article 14(2) of Securities and Exchange Act and "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies" promulgated by Financial Supervisory Commission (note 2) 2. They (or in the name of others), their spouse and minor children do not hold shares of the Company 3. No compensation is received for providing commercial legal, financial, accounting or related services to the Company or any affiliate of the Company in the past 2 years	0
Mao-Jung Wang			1
David Ching			0

Note 1: A person who is under any of the following circumstances shall not act as a managerial officer the Company. If the job has been taken, such person shall certainly be discharged:

1. Having committed an offence as specified in the Statute for Prevention of Organizational Crimes and subsequently convicted of a crime, and has not started serving the sentence, has not completed serving the sentence, or five years have not elapsed since completion of serving the sentence, expiration of the probation or pardon.

2. Having committed the offence in terms of fraud, breach of trust or misappropriation and subsequently convicted with imprisonment for a term of more than one year, and has not started serving the sentence, has not completed serving the sentence, or two years have not elapsed since completion of serving the sentence, expiration of the probation, or pardon.
3. Having committed the offense as specified in the Anti-corruption Act and subsequently convicted of a crime, and has not started serving the sentence, has not completed serving the sentence, or two years have not elapsed since completion of serving the sentence, expiration of the probation, or pardon.
4. Having been adjudicated bankrupt or adjudicated of the commencement of liquidation process by a court, and having not been reinstated to his rights and privileges.
5. Having been dishonored for unlawful use of credit instruments, and the term of such sanction has not expired yet; or
6. Having no or only limited disposing capacity.
7. Having been adjudicated of the commencement of assistantship and such assistantship having not been revoked yet.

Note 2:

1. Not government agency, juristic person or representative specified in Article 27 of the Company Act.
2. No independent director concurrently serves as an independent director or more than three other public companies.
3. During the two years before being elected or during the term of office, the independent director may not have been or be any of the following:
 - (1) An employee of the company or any of its affiliates.
 - (2) A director or supervisor of the company or any of its affiliates.
 - (3) A natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of 1% or more of the total number of outstanding shares of the Company or is ranked in the top 10 in shareholdings.
 - (4) A spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the managerial officer in the preceding 1 subparagraph, or of any of the persons in the preceding three sub-paragraphs.
 - (5) A director, supervisor or employee of a corporate shareholder that directly holds five percent or more of the total number of issued shares of the company, or that ranks among the top five in shareholdings, or that designates its representative to serve as a director or supervisor of the company under Article 27 of the Company Act.

- (6) If a majority of the company's director seats or voting shares and those of any other company are controlled by the same person: a director, supervisor, or employee of that other company.
- (7) If the chairperson, general manager, or person holding an equivalent position of the company and a person in any of those positions at another company or institution are the same person or are spouses: a director (or governor), supervisor, or employee of that other company or institution.
- (8) A director (or governor), supervisor, managerial officer, or shareholder holding five percent or more of the shares, of a specified company or institution that has a financial or business relationship with the company.
- (9) A professional individual, sole proprietorship, partnership, owner of a company or institution, partner, director (or governor), supervisor, managerial officer or spouse thereof that provides auditing service for the Company or any of its affiliates, or provides commercial, legal, financial, or accounting service with cumulative remuneration less than NT\$500,000 in the past two years. The above regulations do not apply for the members of the Remuneration Committee of the Company.

5. The Board of Directors diversity and independence

A. The Board of Directors diversity:

At the 4th meeting of the 23rd board of directors on November 11, 2020, the Company adopts and formulates "Corporate Governance Best Practice for the Company", of which the diversified policy is specified in Chapter III strengthening the functions of the board.

The nomination and selection of members of the board of directors adopts the candidate nomination system, and complies with the "Director Election Measures" and the "Corporate Governance Best Practice for the Company". In addition, performance evaluation is carried out regularly every year to confirm the suitability, diversity and independence of each member, and taking into account the opinions of stakeholders.

The board of the Company adopts the diversified policy and capacity summarized below:

(1) Diversified policy

The overall Board composition shall be taken into consideration in the election of Directors. The Company shall diversify Board composition and develop guidelines on diversity based on the operations, nature of business activities and development needs of the Company, including but not limited to the following two aspects:

- a. Basic requirements and values: Gender, age, nationality, and culture.
- b. Professional knowledge and skills: professional background (such as law, accounting, industry, finance, marketing or technology), professional skills and industry experience.

(2) Board members shall have the knowledge, skills, and experience required to perform their duties. The entire Board shall possess the following abilities:

- a. Ability to make operational judgments.
- b. Ability to perform accounting and financial analysis.
- c. Ability to conduct management administration.
- d. Ability to conduct crisis management.
- e. Knowledge of the industry.
- f. An international market perspective.
- g. Ability to lead.
- h. Ability to make policy decisions.

Goals

It is expected that the following objectives will be achieved in terms of the board diversity policy: (1) Creative thinking: Board members with different backgrounds and experiences can provide different views and ideas to help the company to form creative thinking and make innovative decisions. (2) Ability promotion: Diversified board members can learn from and share experiences with each other, thereby enhancing the overall competence of the board and improving the company's business performance and overall competitiveness.

Implementation

The 24rd board consists of 7 directors (including 3 independent directors). The directors have important management experience in companies listed on TWSE/TPEX or well-known enterprises both at home and abroad, and have business management experience and international market vision. Of them, Hsing-En Wu acts the Chairman of the Company, Hsin-Hung Wu is chairman of Shinkong Insurance, Chin-Fa Chiu once was director of Chyang Sheng Dyeing & Finishing Co., Ltd., and is now the President of the Company, director Po-Han Lin is director of Shinkong LOHAS, independent director David Ching is general manager of Ivy Lake View Hotel, Qiandao Lake, they have experience and capability in operation judgment, leadership, decision-making and crisis management. Director Hsing-En Wu, Director Hsin-Hung Wu and Director Chin-Fa Chiu have business experience in textile retail industry. Independent Director David Ching and Mao-Jung Wang have finance and accounting education background and industry experience. Wei-Kan Chen Independent Director, holds a master's degree in finance from Karjee Business School, University of Cambridge, UK, and a Master's degree in Design and Research (Real Estate) from Harvard University, USA. He has rich experience and insight in land asset planning, design

and construction.

The board consists of members from diversified background, with complementary work experience and educational background, better than the standards set out in Article 23 of Corporate Governance Best Practice for the Company.

Except one, all directors hold the citizenship of Republic of China. The average age of the directors is 54 years. In the future, the Company will continue to evaluate the diversity and complementarity of directors and implement the diversification policy. In the Board of Directors' election in 2023, we achieved the goal that the number of seats on the Board of Directors held by a single corporate organization (including subsidiaries) should not exceed one-third of the total number of seats on the Board of Directors. It is intended that at least one additional female director will be included in the next re-election of directors.

Note1: (the status and implementation of diversification policy of board of directors):

Name of Directors	Nationality	Age	Gender	Concurrently serving as an employee	Seniority of Independent Director	Diverse Background & Core Competencies							
						Professional Background	Operation Judgement	Industrial experience	Business Administration	Finance and Accounting	International Market Vision	Leadership	Crisis Management
Hsing-En Wu	R.O.C.	40~49	Male	Yes		Master of Materials Science and Engineering, University of California, Los Angeles Chairman/ Shinkong Textile Co., Ltd./ Chairman and President/ Shinkong Asset Management Co., Ltd.	V	V	V	○	V	V	V
Hsin-Hung Wu	R.O.C.	40~49	Male	Yes		MBA, Wharton School of the University of Pennsylvania; Chairman/ Shinkong Insurance Co., Ltd., Director/ Shinkong Asset Management Co., Ltd.	V	V	V	V	V	V	V
Chin-Fa Chiu	R.O.C.	60~69	Male	Yes		MBA, National Taiwan University; Director/ Shinkong Textile Co., Ltd., Chyang Sheng Dyeing & Finishing Co., Ltd./Director	V	V	V	V	V	V	V
Po-Han Lin	R.O.C.	50~59	Male	No		Master of Business Administration, Meiji University Chairman/ Shin Kong LOHAS Co., Ltd., Chairman of Shin Kong Venture Capital International Co., Ltd., Director/ Shin Kong Mitsukoshi Department Store Co., Ltd.	V	○	V	V	V	V	V
David Ching	U.S.A.	40~49	Male	No	3~6 years	Bachelor of Management Science, University of California, San Diego; President/ Violet Lake Pavilion Hotel, Thousand Island Lake, President/ Ivy Lake View Hotel, Thousand Island Lake	V		V	V	V	V	V
Wei-Kan, Chen	R.O.C.	40~49	Male	No	Under 3 years	Master of Finance, University of Cambridge/ Master in Design Studies (Real Estate) Harvard University/ Senior Consultant of E.R.C. Group/ Executive Director, Harvard Design International., Ltd.	○		V	V	V	○	○

Name of Directors	Nationality	Age	Gender	Concurrently serving as an employee	Seniority of Independent Director	Diverse Background & Core Competencies							
						Professional Background	Operation Judgment	Industrial experience	Business Administration	Finance and Accounting	International Market Vision	Leadership	Crisis Management
Mao-Jung Wang	R.O.C.	60~69	Male	No	3~6 years	Accounting Department of Soochow University/ Director, Chief Financial Officer of Cosmo Electronics Corp. Director, Chief Financial Officer of Cosmo Electronics Corp. Independent Director of MasterLink Securities Corp./Independent Director/Member of Remuneration Committee	○		V	V	V	○	○

V refers to fully capable ○ refers to partially capable

B. Independence of Board of Directors:

(1) Independent Board of Directors:

The current Board of Directors consists of seven members, three of which are independent directors (accounting for 42.9%, more than one-third of the Board). Four out of the eight directors do not hold positions as employees or managers. There are 2 seats (28.6%, less than half the seats of all the directors) among all Board of Directors who have a spouse or within the Second Degree of Kinship, which is in accordance with the provisions of Item 3 and Item 4 of Article 26-3 of the Securities and Exchange Act. The company does not have the same Chairman and the President or the equivalent position as the spouse or a relative of each other, which conforms to the provisions of Item 2 of Article 4 in the establishment and exercise of functions and powers of the board of directors of listed companies in Taiwan Stock Exchange Co., LTD.

- (2) All the independent directors comply with the standards of independent directors set by the Financial Regulatory Commission. The independence status is as follows:

Name	Whether a natural-person, person's spouse or within the Second Degree of Kinship designate director, supervisor or employee of a corporate of the company	A natural-person, person's spouse, within the Second Degree of Kinship (or in the name of others) held number and proportion of company shares	Whether designates director, supervisor or employee of a corporate of the company	Earn compensation from providing commercial, legal, financial, accounting or related services to the company or any affiliate of the company in the past 2 years
David Ching	No	No such case	No	No such case
Wei-Kan, Chen	No	No such case	No	No such case
Mao-Jung Wang	No	No such case	No	No such case

(II) Information on President, Vice Presidents, Assistant Vice Presidents and Managers of Departments and Branches

March 30, 2024

Title	Nationality	Name	Gender	Elected (Appointed) Date	Shareholding		Shares Held by Spouse and Underage Children		Shareholding by Nominees		Major Experience (Education)	Selected Present Positions at Other Companies	Managerial officer who Are Spouses or within the Second Degree of Kinship			Note
					Number of shares	Shareholding Ratio (%)	Number of shares	Shareholding Ratio (%)	Number of shares	Shareholding Ratio (%)			Title	Name	Relationship	
President	R.O.C.	Chin-Fa Chiu	Male	2023.10.12	5,290 shares	0	0	0	0	0	Master of Business Administration, National Taiwan University President of Shinkong Textile Co., Ltd. Executive Vice President of Ruentex Industries Co., Ltd.	Independent Director of Sunny Friend Environmental Technology Co., Ltd.				
President	R.O.C.	Jui-Nan Chang	Male	2022.05.16	0 share	0	0	0	0	0	Master of Business Administration, Lake Superior State University, Michigan Executive Vice President of Ruentex Industries Co., Ltd.	Director of Chyang Sheng Dyeing & Finishing Co., Ltd.	-	-	-	None
Executive Vice President	R.O.C.	Shu-Ti Chang	Female	2009.09.01	20 shares	0	0	0	0	0	Bachelor of Business Administration, SooChow University Management Department of Shinkong Textile Co., Ltd.	Director of Shinkong Asset Management Co., Ltd.	-	-	-	None
Vice President	R.O.C.	Su- Chuan Ko	Female	2009.09.01	1,230 shares	0	0	0	0	0	Bachelor of Accounting, SooChow University Finance Department/Audit Office of Shinkong Textile Co., Ltd.	None	-	-	-	None
Assistant Vice President	R.O.C.	Yung- Hsin Huang	Male	2017.03.01	0 share	0	0	0	0	0	Master of Business Administration, Chung Yuan Christian University Deputy Director of HUALON Corporation	None	-	-	-	None

Title	Nationality	Name	Gender	Elected (Appointed) Date	Shareholding		Shares Held by Spouse and Underage Children		Shareholding by Nominees		Major Experience (Education)	Selected Present Positions at Other Companies	Managerial officer who Are Spouses or within the Second Degree of Kinship			Note
					Number of shares	Shareholding Ratio (%)	Number of shares	Shareholding Ratio (%)	Number of shares	Shareholding Ratio (%)			Title	Name	Relationship	
Assistant Vice President	R.O.C.	Chu-Ying Chen	Female	2017.08.01	0 share	0	0	0	0	0	Bachelor from the Department of Textiles and Clothing, FU JEN Catholic University Retail Department, Shinkong Textile Co., Ltd.	None	-	-	-	None
Assistant Vice President	R.O.C.	Jen-Tsung Wang	Male	2020.08.16	0 share	0	0	0	0	0	Master of Business Administration, National Taipei University Retail Department, Shinkong Textile Co., Ltd.	None	-	-	-	None
Assistant Vice President	R.O.C.	Hui-Chen Chang	Female	2022.01.01	0 share	0	0	0	0	0	Bachelor from the Department of Textiles and Clothing, FU JEN Catholic University R&D Department/Management Department Purchase Office, Shinkong Textile Co., Ltd.	None	-	-	-	None
Assistant Vice President	R.O.C.	Chun-Ming Su	Male	2022.08.22	0 share	0	0	0	0	0	Bachelor Degree, Department of Industrial Engineering and Management, Ming Chi University of Technology Vice President of Ruentex Industries Limited	None	-	-	-	None

III. Remuneration paid to Directors, Presidents, and Vice Presidents during the most recent year

(I) Directors' remuneration

Unit: NT\$1,000

Title	Name	Remuneration to Directors								The Total Remuneration (A+B+C+D) and its ratio to the Net Income After Tax		Relevant Remuneration Received by Directors who Are Also Employees								Ratio of Total Compensation (A+B+C+D+E+F+G) to Net Income		Compensation from an Invested Company Other than the Company's Subsidiary or the Parent Company
		Base Compensation (A)		Severance Pay and Pension (B)		Directors (C)		Business Execution Expenses (D)				Salary, Bonus, and Allowance (E)		Severance Pay and Pension (F)		Employee Compensation (G)						
		The Company	All Companies in Consolidated Financial Statements	The Company	All Companies in Consolidated Financial Statements	The Company	All Companies in Consolidated Financial Statements	The Company	All Companies in Consolidated Financial Statements	The Company	All Companies in Consolidated Financial Statements	The Company	All Companies in Consolidated Financial Statements	The Company	All Companies in Consolidated Financial Statements	The Company		All Companies in Consolidated Financial Statements		The Company	All Companies in Consolidated Financial Statements	
																Cash Amount	Stock Amount	Cash Amount	Stock Amount			
Chairman	Chichen Co., Ltd. Representative : Hsing-En Wu	448	672	0	0	15,600	15,600	0	0	16,048 2.47%	16,272 2.51%	13,328	23,881	132	240	1,271	0	2,301	0	30,779 4.74%	42,694 6.57%	None
Director	Haung En Co., Ltd. Representative : Hsin-Hung Wu																					
Director	Chichen Co., Ltd. Representative : Chin-Fa Chiu																					
Director	Shin Kong Wu Tung Ching Foundation Representative : Po-Han Lin																					
Independent Director	Mao-Jung Wang	720	720	0	0	0	0	0	0	720 0.11%	720 0.11%	0	0	0	0	0	0	0	0	720 0.11%	720 0.11%	None
Independent Director	Wei-Kan, Chen																					
Independent Director	David Ching																					
1. Please describe the remuneration policy, regulations, standards and structure of independent directors, and the relationship with the remuneration in line with the responsibilities, risks, time engagement and other factors: The remuneration of the independent directors of the Company authorizes the board of directors to negotiate a fixed remuneration according to their responsibilities, risks, time engagement and the industrial standards, and independent directors do not participate in the distribution of earnings of the Company. 2. Other than disclosures in the above table, remuneration paid to directors for providing service (e.g., providing consulting services for parent company, all companies in consolidated financial statements, non-employee for reinvested business) in the most recent year: None.																						

Remuneration Ranges

Range of Remuneration Paid to Directors	Name of Directors			
	Total Amount of Remuneration (A+B+C+D)		Total Amount of Remuneration (A+B+C+D+E+F+G)	
	The Company	All Companies in Consolidated Financial Statements H	The Company	All Companies in Consolidated Financial Statements I
Less than NT\$1,000,000	Hsing-En Wu, Hsin-Hung Wu, Po-Han Lin, Chin-Fa Chiu, David Ching, Wei-Kan Chen, Mao-Jung Wang	Hsing-En Wu, Hsin-Hung Wu, Po-Han Lin, Chin-Fa Chiu, David Ching, Wei-Kan Chen, Mao-Jung Wang	Po-Han Lin, David Ching, Wei-Kan Chen, Mao-Jung Wang	Po-Han Lin, David Ching, Wei-Kan Chen, Mao-Jung Wang
NT\$1,000,000 (inclusive) ~NT\$2,000,000 (exclusive)				
NT\$2,000,000 (inclusive) ~NT\$3,500,000 (exclusive)	Haung En Co., Ltd.	Haung En Co., Ltd.	Haung En Co., Ltd. Chin-Fa Chiu	Haung En Co., Ltd. Chin-Fa Chiu
NT\$3,500,000 (inclusive) ~NT\$5,000,000 (exclusive)	Shin Kong Wu Tung Ching Foundation	Shin Kong Wu Tung Ching Foundation	Shin Kong Wu Tung Ching Foundation, Hsin-Hung Wu	Shin Kong Wu Tung Ching Foundation
NT\$5,000,000 (inclusive) ~NT\$10,000,000 (exclusive)	Chichen Co., Ltd.	Chichen Co., Ltd.	Chichen Co., Ltd., Hsing-En Wu	Chichen Co., Ltd. Hsing-Hung Wu
NT\$10,000,000 (inclusive) ~NT\$15,000,000 (exclusive)				Hsing-En Wu
NT\$15,000,000 (inclusive) ~NT\$30,000,000 (exclusive)				
NT\$30,000,000 (inclusive) ~NT\$50,000,000 (exclusive)				
NT\$50,000,000 (inclusive) ~NT\$100,000,000 (exclusive)				
Over NT\$100,000,000				
Total	10 persons (including 3 legal persons)	10 persons (including 3 legal persons)	10 persons (including 3 legal persons)	10 persons (including 3 legal persons)

(II) Remuneration Paid to the President and Vice Presidents

Unit: NT\$1,000

Title	Name	Salary (A)		Severance Pay and Pension (B)		Bonuses and Allowances (C)		Employee Compensation (D)				The Total Compensation (A+B+C+D) and its ratio to the Net Income After Tax (%)		Compensation from an Invested Company Other than the Company's Subsidiary or the Parent Company
		The Company	All Companies in Consolidated Financial Statements	The Company	All Companies in Consolidated Financial Statements	The Company	All Companies in Consolidated Financial Statements	The Company		All Companies in Consolidated Financial Statements		The Company	All Companies in Consolidated Financial Statements	
								Cash Amount	Stock Amount	Cash Amount	Stock Amount			
President	Chin-Fa Chiu (Note 1)	8,270	8,366	330	330	2,640	2,656	726	-	1,193	-	11,966 1.84%	12,545 1.93%	None
President	Jui-Nan Chang													
Executive Vice President	Shu-Ti Chang													
Vice President	Su-Chuan Ko													

Note1: On October 12, 2023, President Chin-Fa Chiu resumed his position.

Range of Remuneration

Range of Remuneration Paid to the President and Vice Presidents	Names of President and Vice Presidents	
	The Company	All Companies in Consolidated Financial Statements
Less than NT\$1,000,000		
NT\$1,000,000 (inclusive)~NT\$2,000,000 (exclusive)	Chin-Fa Chiu	Chin-Fa Chiu
NT\$2,000,000 (inclusive)~NT\$3,500,000 (exclusive)	Su-Chuan Ko	Su-Chuan Ko
NT\$3,500,000 (inclusive)~NT\$5,000,000 (exclusive)	Jui-Nan Chang, Shu-Ti Chang	Jui-Nan Chang, Shu-Ti Chang
NT\$5,000,000 (inclusive)~NT\$10,000,000 (exclusive)		
NT\$10,000,000 (inclusive)~NT\$15,000,000 (exclusive)		
NT\$15,000,000 (inclusive)~NT\$30,000,000 (exclusive)		
NT\$30,000,000 (inclusive)~NT\$50,000,000 (exclusive)		
NT\$50,000,000 (inclusive)~NT\$100,000,000 (exclusive)		
Over NT\$100,000,000		
Total	4 persons	4 persons

(III) Employee Compensation Paid to Managerial Officers

Unit: NT\$1,000

	Title	Name	Stock Amount	Cash Amount	Total	Ratio of total compensation to net income after tax(%)
Managerial officers	President	Chin-Fa Chiu	0	1,525	1,525	0.23%
	President	Jui-Nan Chang				
	Executive Vice President	Shu-Ti Chang				
	Vice President	Su-Chuan Ko				
	Assistant Vice President	Yung-Hsin Huang				
	Assistant Vice President	Chu-Ying Chen				
	Assistant Vice President	Jen-Tsung Wang				
	Assistant Vice President	Hui-Chen Chang				
	Assistant Vice President	Chun-Ming Su				

(IV) Analysis of Total Remuneration, as a Percentage of Net Income Stated in the Parent Company Only and Consolidated Financial Statements, Paid by the Company and All Companies in Consolidated Financial Statements during the Past 2 Fiscal Years to the Directors, President, and Vice Presidents, Along with Description of Remuneration Policies, Standards, and Packages, Procedure for Determining Remuneration, and Linkage Thereof to Operating Performance and Future Risk Exposure:

Remuneration Paid to	2022		2023	
	Remuneration as A Percentage of Net Income After Tax (%)		Remuneration as A Percentage of Net Income After Tax (%)	
	The Company	All Companies Included in the Consolidated Financial Statements	The Company	All Companies Included in the Consolidated Financial Statements
Director	1.80%	2.35%	4.85%	6.68%
President and Vice President	0.62%	0.65%	1.64%	1.73%

Note: President Chin-Fa Chiu also holds the position of director, and his percentage of remuneration is shown in the Directors' column.

The Company's remuneration policy (including Directors, managers and employees) is as follows:

(1) Remuneration paid to Directors and Independent Directors:

The performance appraisal, remuneration policy, standard, structure and plan shall submit to the remuneration committee and board of directors for review.

Fixed remuneration: In accordance with Article 16-1 of the Articles of Incorporation, the Company may pay remuneration to directors regardless of whether the Company operates at a profit or loss. The Board of Directors is authorized to determine upon the remunerations for Directors according to their participation in and the value of their contribution to the Company operation and with reference to the common remuneration level in the industry.

Flexible income: Pursuant to Article 27 of the Articles of Incorporation, the Company shall allocate no more than five percent as the remuneration for Directors and Supervisors. Directors' remuneration is divided among directors (legal persons) according to contribution levels and independent directors do not participate in the distribution of directors' remuneration specified in Article 27 of Articles of Incorporation.

(2) Managerial Officer:

The remuneration of managerial officers shall be regularly evaluated and reviewed by the remuneration committee of the Company and then submitted to the board of directors for approval and resolution.

According to the salary management measures, employee appointment and promotion management measures, employee performance evaluation measures and employee reward and punishment measures, various work allowances and bonuses shall be approved based on the position, responsibility, department performance and contribution to the overall operation of the Company.

At the end of the year, the performance evaluation results implemented in accordance with the "Performance Management Measures" will be used as the reference basis for issuing managers' bonuses. The manager performance evaluation items can be divided into: 1. According to the management profit and loss statement, the contribution of each profit center to the company's profit and the achievement rate of the manager's goals; 2. Remuneration for operating performance shall be calculated based on operational management ability, innovative thinking and participation in sustainable operation.

(3) Employees:

The salary shall be determined in line with the job function, work intensity and professional skills, taking into account the provisions of the Company's employee salary management measures and employee appointment and promotion management measures. And sales bonus, achievement bonus or performance bonus shall be issued according to the profit center bonus system.

Sales bonus: monthly performance bonus will be issued according to personal monthly gross profit.

Bonus achievement: Check and issue bonus achievement according to budget target and actual performance.

Performance bonus: refer to machine operation rate, quality achievement status, etc., to issue performance bonus.

(4) Year - end bonus payment:

Based on the profit status of the profit center, after considering the annual performance assessment of the employees and the in-service ratio of the current year, the year-end bonus is distributed to the colleagues for the main purpose of motivating the colleagues to achieve the company's goals.

(5) Compensation to employees:

According to Article 27 of the Articles of Association of the Company, no less than 1% of the annual profit shall be allocated to the employee's remuneration, and the proportion of the annual 2023 shall be 1.98%.

IV. Operation of Corporate Governance

(I) Information on the Operation of the Board of Directors:

A total of nine (9) meetings of the Board of Directors were held in the most recent year (2023). The attendance of Directors and Supervisors was as follows:

Title	Name	Number of attendance in person (B)	Attendance by Proxy	Number of attendance in person (A)	Attendance Rate (%) [B/A]	Note
Chairman	Chichen Co., Ltd. Representative: Hsing-En Wu	8	1	9	89%	None
Director	Haung En Co., Ltd. Representative: Hsin-Hung Wu	9	0	9	100%	None
Director	Chichen Co., Ltd. Representative: Chin-Fa Chiu	8	1	9	89%	None
Director	Shin Kong Wu Tung Ching Foundation Representative: Po-Han Lin	8	1	9	89%	None
Independent Director	David Ching	9	0	9	100%	None
Independent Director	Wei-Kan, Chen	9	0	9	100%	None
Independent Director	Mao-Jung Wang	9	0	9	100%	None

The attendance status of the Independent Directors in 2023				
○: Attendance in Person △: Attendance by Proxy *: Absence				
Date	Term	David Ching	Wei-Kan, Chen	Mao-Jung Wang
2023/03/09	21st meeting of the 23rd board	○	○	○
2023/04/07	22nd meeting of the 23rd board	○	○	○
2023/05/08	23rd meeting of the 23rd board	○	○	○
2023/06/06	1st meeting of the 24th board	○	○	○
2023/08/14	2nd meeting of the 24th board	○	○	○
2023/09/28	3rd meeting of the 24th board	○	○	○
2023/10/11	4th meeting of the 24th board	○	○	○
2023/11/13	5th meeting of the 24th board	○	○	○
2023/12/18	6th meeting of the 24th board	○	○	○

Other matters required to be recorded:

I. With regard to the implementation of the Board of Directors (2023), if any of the following circumstances occurs, the dates, terms of the meetings, contents of motions, all independent directors' opinions and the Company's handling of such opinions shall be specified:

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

According to Article 14(5-1) of Securities and Exchange Act, Article 14-3 of this Act is not applicable since the Company has already established an Audit Committee. Matters referred to in Article 14-5 of the Securities and Exchange Act: Please refer to the Audit Committee section herein.

(II) Any recorded or written Board resolutions to which independent directors have objections or reservations to be noted in addition to the above: None.

II. Regarding recusals of independent directors from voting due to conflicts of interest, the names of the independent directors, contents of motions, reasons for recusals, and results of voting shall be specified.

Date	Term	Contents of Motions	Avoidance of conflict of interest and voting
2023/04/07	22nd meeting of the 23rd board	Review the lifting of newly elected Directors from the non-compete restrictions resolution	<p>This case is being handled on a vote-by-vote, recusal-by-recusal basis.</p> <p>When voting for the resolution to the lifting of Director Hsing-Hong Wu's restriction on non-competition, Director Wu Xin Hong and Director Hsing-En Wu were recused the meeting due to their second degree of kinship. Director Hsing-En Wu appointed Director Chin-Fa Chiu as the Acting Chairman of the Board of Directors, and upon the acting chairman putting forward the resolution for approval, all attending Directors voted in favor of the proposal without any objections.</p> <p>When voting for the resolution to the lifting of Director Chin-Fa Chiu's restriction on non-competition, Director Chin-Fa Chiu was recused from the meeting. Upon the acting chairman putting forward the resolution for approval, all attending Directors voted in favor of the proposal without any objections.</p> <p>When voting for the resolution to the lifting of Independent Director David Ching's restriction on non-competition, Independent Director David Ching was recused from the meeting. After the Acting Chairman of the Board of Directors</p>

Date	Term	Contents of Motions	Avoidance of conflict of interest and voting
			consulted with the remaining directors in attendance, the resolution was approved with no objections. When voting for the resolution to the lifting of Director Wei-Kang Chen's restriction on non-competition, Director Wei-Kang Chen was recused from the meeting.
2023/06/06	1st meeting of the 24th board	Review the appointment of members of the Remuneration Committee	This case is being handled on a vote-by-vote, recusal-by-recusal basis. During the discussion of their individual proposals, Independent Directors David Ching and Wei-Kan Chen were recused from the discussion and voting. The remaining directors present approved the resolution. The names of the members of the Sixth Remuneration Committee as discussed and voted on individually are: Mr. David Ching, Mr. Wei-Kan, Chen, and Mr. Chi-Yen Liang.
2023/08/14	2nd meeting of the 24th board	Discussed the remuneration to Independent Directors	Independent Directors David Ching, Wei-Kan Chen, and Mao-Jung Wang, were recused from the voting due to conflicts of interest. All the remaining Directors had approved the motion upon enquiry made by the Chairman. Thus, it was approved as proposed.
2023/10/11	4th meeting of the 24th board	Review the Company's plan to hire a President for the Taiwan factory and establish a remuneration package.	Director Chin-Fa Chiu being the party involved, recused from participating in the discussion and voting in accordance with the law. All the remaining Directors had approved the motion upon enquiry made by the Chairman. Thus, it was approved as proposed.
2023/12/18	6th meeting of the 24th board	Review the guarantee for the Company's investee, Shang De Motor Co., Ltd., within the amount of NT\$ 50 million.	This case has been approved during the 5th meeting Third Audit Committee. As Directors Hsing-En Wu, also a director of Shang De Automobile Co., Ltd., has the second degree of kinship with Hsin-Hung Wu, they were both recused from the voting. Director Hsing-En Wu appointed Director Mao-Jung Wang to be the acting Chairman before the recusal. Upon the acting chairman putting forward the resolution for approval, all attending Directors voted in favor of the proposal without any objections.
		Appointment of Members to the Sustainable Development Committee	Independent Directors David Ching, Wei-Kan Chen, and Chin-Fa Chiu, recused from the voting and discussions due to conflicts of interest. All the remaining Directors had approved the motion upon enquiry made by the Chairman. Thus, it was approved as proposed.

III. The Company discloses the frequency and period of self-assessment (or peer assessment) made by the Board of Directors of the Company, the assessment scope, method, and content, and please refer to the table below for the implementation.

Evaluation of the Board

Frequency	Period	Scope	Method	Content
Once a year	2022/11/01-2023/10/31	Performance evaluation of the entire board, individual director, the auditing committee, and the remuneration committee	Internal self-evaluation of the board of directors and board members	<p>(1) The evaluation of the Board performance includes participation in the operation of the Company, the quality of the Board of Directors' decision making, composition and structure of the Board of Directors, election and continuing education of the directors, and internal control.</p> <p>(2) Performance assessment of individual board members: including familiarity with the goals and missions of the Company, understanding their duties and responsibilities, participation in corporate operation, internal relationship management and communication, directors' professionalism and continued knowledge development, internal control.</p> <p>(3) Performance evaluation of the Functional Committee: Participation in the Company's operation, recognition of the Functional Committee's responsibilities, the decision quality of the Functional Committee, composition of the Functional Committee, the election of the members, and internal control.</p>

IV. Objectives of strengthening the functionality of the Board of Directors in the current year and the most recent fiscal year (e.g., setting up the Audit Committee, enhancing information transparency, etc.), and evaluation of the execution thereof.

- (1) The audit director and the independent directors had four meetings in 2023 to conduct the Company's audit report and relevant explanations. After discussion and communication, the independent directors had no objections.
- (2) In 2023, CPAs report to the Independent Directors at least twice each year on the Company's financial status, overall operations and the audit on internal controls, and fully communicate on whether material journal entry adjustments are required or regulatory amendments have any impact on the Company's accounts. After discussion and communication, the independent directors had no objections.
- (3) On December 18, 2023, the board of directors made a report on the ethical management operation in 2023.
- (4) On December 18, 2023, the board of directors issued the annual risk management report in 2023.
- (5) On December 18, 2023, the board of directors made a report on the implementation of the 2023 annual intellectual property management plan.
- (6) On December 18, 2023, the board of directors made a report on the communication with stakeholders in 2023.
- (7) On December 18, 2023, the board of directors made a report on the promotion of sustainable development in 2023.
- (8) The Sustainable Development Committee was established on December 18, 2023, with a total of three members, including two independent directors and one director from our company. The responsibilities include formulating appropriate sustainable development policies, reviewing sustainability reports, overseeing the direction and implementation plans of the company's sustainable development policies, regularly monitoring progress, and reporting annual accomplishments to the board of directors.

- (9) The Board of Directors conducted performance evaluation in November 2023 and increased the scope of performance evaluation, including the Remuneration Committee. On March 8, 2024, the Board of Directors reported the evaluation results.
- (10) The Company will publish the interim financial report in English within two months after the filing deadline for the Chinese version of the interim financial report starting from the first quarter of 2023.
- (11) The Company had a general re-election of directors in 2023 and does not have government agencies or single corporate organization and its subsidiaries accounting for more than one third of seats in the Board of Directors.
- (12) Beginning 2024, the sustainability report will be submitted to the Board of Directors for approval prior to filing.

(II) Operations of Audit Committee

A total of 8 meetings of the Audit Committee were held in 2023. The attendance of independent directors is as follows:

Title	Name	Number of attendance in person (B)	Attendance by Proxy	Number of attendance in person (A)	Attendance Rate (%) (B/A)	Note
Independent Director	David Ching	8	0	8	100%	None
Independent Director	Wei-Kan, Chen	8	0	8	100%	None
Independent Director	Mao-Jung Wang	8	0	8	100%	None

Other matters required to be recorded:

I. Annual key functions

The Audit Committee comprises of three Independent Directors. The Audit Committee aims to assist the Board of Directors to monitor the quality and integrity of the Company in the execution of accounting, auditing, financial reporting procedures, and financial controls.

The Audit Committee convened eight meetings in 2023. Items reviewed primarily included:

1. Review of financial statements
2. Audit of business reports and earnings distribution plan
3. Evaluation of the effectiveness of the internal control system
4. Evaluation of independence and competence of Certified Public Accountants
5. Revision of Internal Control System
6. Review important motions of subsidiaries

■ Review of financial reports, business reports and audit of earnings distribution plan

The Audit Committee hereby presents the Company's 2022 Business Report, financial statements and proposal for earnings distribution, among which the financial statements have been audited by Deloitte & Touche, by whom an audit report has been issued accordingly. The above-mentioned business report, financial statements and earnings distribution proposal have been reviewed and determined to be accurate by the Audit Committee.

■ Evaluation of the effectiveness of the internal control system

The Company evaluates the design and operating effectiveness of the internal control system based on the criteria provided in the "Regulations Governing the Establishment of Internal Control Systems by Public Companies". The Regulations are made to examine the following five factors during the management and control process: (1) control environment, (2) risk assessment and response, (3) control activities, (4) information and communication, and (5) supervision. Each key component includes several items. The Company has evaluated the design and operating effectiveness of the internal control system according to the Regulations.

Based on the results of the determination in the preceding paragraph, the Audit Committee is of the opinion that, as of December 31, 2022, the internal control system (including the supervision and management of subsidiaries), including the design and implementation of the internal control system relating to the effectiveness and efficiency of the operations, reliability, timeliness, and transparency of reporting, and compliance with applicable standards, laws and regulations, is effective and can reasonably assure the achievement of the foregoing goals.

- **Evaluation of independence and competence of Certified Public Accountants**
 According to the Report of Audit Quality Indicators (AQIs) according to the Professional Ethics Bulletin No. 10 “Integrity, Objectivity and Independence” set forth by the CPA Associations of the Republic of China and the Company’s form “Independence and Competency of CPAs for 2023 Annual Financial Statements”, the Company assesses CPAs’ independence and the authorized CPAs and their accounting firm for free of interest in the Company and changes the CPAs upon a certain period of time as required. Refer to AQIs to confirm that the CPAs and the CPA firm are above average in terms of training hours and quality control support capability.
 The most recent evaluation was adopted by the resolution of the 13th meeting of the 2nd term of Audit Committee on March 9, 2023, and submitted to the 21st meeting of the 23rd term of Board of Directors on March 9, 2023. The recent resolution has confirmed that both Ms. Li-Huang Li and Mr. Jui-Chuan Chi, certified public accountants from Deloitte & Touche meet the independence standards and are qualified for acting as CPA of the Company.

- **Revision of Internal Control System**
 At the ninth meeting of the second session of the Audit Committee held on March 9, 2012, it was resolved to approve the amendment of the Company's internal control system and its appendices, as well as the amendment of the implementation rules of the Company's internal audit.
 On October 11, 2023, the third session of the third Audit Committee adopted a resolution to revise the organizational structure of the company. (Establishment of new overseas plants and renaming of the Marketing Department)
 On October 11, 2023, the fourth session of the third Audit Committee adopted a resolution to revise the organizational structure of the company. (Establishment of the Sustainable Development Committee).

- **Review important motions of subsidiaries**
 To address corporate restructuring, enhance competitiveness, and improve asset management performance, Shinkong Asset Management Co., Ltd., a subsidiary, plans to divide the Real Estate Development Division 1 and 2 in accordance with the Company Act and the Business Merger and Acquisition Act. These related operations (including assets, liabilities, and operations) were divided and assigned to Xin Fu Development Co., Ltd., a 100% owned subsidiary of Shin Kong Asset Co. in exchange for Xin Fu Development Co., Ltd. issuing new shares to Shinkong Asset Management Co., Ltd.
 This case was resolved by the board of directors of the severed company, Shinkong Asset Management Co., Ltd. and was submitted to the second session of the third audit committee of the Company on September 28, 2023 and the third session of the 24th board of directors of the Company on the same date for review. After evaluation, it was determined that this business division is an organizational adjustment. The value of the equity held in Xin Fu Development Co., Ltd. as a result of the division is equal to the business value of the division of Shinkong Asset Management Co., Ltd. There was no impact on the shareholders' equity of Shinkong Asset Management Co., Ltd. and the resolution was approved.

II. With regard to the operations of the Audit Committee, if any of the following circumstances occur, the dates, terms of Audit Committee meetings, contents of motions, dissenting or reserved opinion or material recommendation from the Independent Director, Audit Committee's resolutions, and the Company's response to the Audit Committee's opinions shall be specified.

(I) Matters referred to in Article 14-5 of the Securities and Exchange Act.

Date	Term	Contents of Motions	Independent directors' objections, reservations or major suggestions	Resolution results of the Audit Committee and the Corporation's Handling of Its Opinions
2023/03/09	13th meeting of the 2nd board	To review the 111 business report and financial statements	None	When discussing and voting this proposal, the present personnel are asked to leave. Upon the chairman putting forward the resolution for approval, all attending members voted in favor of the proposal without any objections.
		Review the proposal for evaluating independence and competence of Certified Public Accountants	None	When discussing and voting this proposal, the present personnel are asked to leave. Upon the chairman putting forward the resolution for approval, all attending members voted in favor of the proposal without any objections.
		Review the proposal for the Company's 2022 Statement on Internal Control System.	None	When discussing and voting this proposal, the present personnel are asked to leave. Upon the chairman putting forward the resolution for approval, all attending members voted in favor of the proposal without any objections.
		Review and revise the "Operating procedures for loaning funds to others"	None	When discussing and voting this proposal, the present personnel are asked to leave. Upon the chairman putting forward the resolution for approval, all attending members voted in favor of the proposal without any objections.
		Review and revise the Company's internal control system and its appendices	None	When discussing and voting this proposal, the present personnel are asked to leave. Upon the chairman putting forward the resolution for approval, all attending members voted in favor of the proposal without any objections.
		Review and revise the Company's internal audit implementation plan	None	When discussing and voting this proposal, the present personnel are asked to leave. Upon the chairman putting forward the resolution for approval, all attending members voted in favor of the proposal without any objections.

Date	Term	Contents of Motions	Independent directors' objections, reservations or major suggestions	Resolution results of the Audit Committee and the Corporation's Handling of Its Opinions
2023/04/07	2nd meeting of the 14th board	Deliberation of the Company's pre-approval audit method for the provision of non-assurance services provided by the certified public accountants as well as the non-assurance services expected to be provided by Deloitte Taiwan in 2023.	None	When discussing and voting this proposal, the present personnel are asked to leave. Upon the chairman putting forward the resolution for approval, all attending members voted in favor of the proposal without any objections.
		Review the lifting of newly elected Directors from the non-compete restrictions resolution	None	<p>When discussing and voting this proposal, the present personnel are asked to leave.</p> <p>This case is being handled on a vote-by-vote, recusal-by-recusal basis.</p> <p>When voting for the resolution to the lifting of Director Chin-Fa Chiu's restriction on non-competition, Director Chin-Fa Chiu was recused from the meeting. Upon the acting chairman putting forward the resolution for approval, all attending Directors voted in favor of the proposal without any objections.</p> <p>When voting for the resolution to the lifting of Independent Director David Ching's restriction on non-competition, Independent Director David Ching was recused from the meeting and Independent Director Mao-Jung Wang was appointed for the acting chairman. After the acting chairman of the Board of Directors consulted with the remaining directors in attendance, the resolution was approved with no objections.</p> <p>When voting for the resolution to the lifting of Director Wei-Kang Chen's restriction on non-competition, Director Wei-Kang Chen was recused from the meeting.</p>

Date	Term	Contents of Motions	Independent directors' objections, reservations or major suggestions	Resolution results of the Audit Committee and the Corporation's Handling of Its Opinions
2023/09/28	Second meeting of the 3rd board	Reject the proposal for transfer of the business division of the subsidiary, Shin Kong Asset Management Co., Ltd., also known as the Real Estate Development Department Division 1 and 2.	None	When discussing and voting this proposal, the present personnel are asked to leave. Upon the chairman putting forward the resolution for approval, all attending members voted in favor of the proposal without any objections.
2023/10/11	3rd meeting of the 3rd board	Review the proposal to expand overseas manufacturing facilities and rename the marketing department of the Company	None	Upon the chairman putting forward the resolution for approval, all attending members voted in favor of the proposal without any objections.
2023/11/13	4th meeting of the 3rd board	Deliberation on the company's proposed investment of US\$10 million in Cottonwood-WTT Real Estate Special Situations Fund	None	When discussing and voting this proposal, the present personnel are asked to leave. Upon the chairman putting forward the resolution for approval, all attending members voted in favor of the proposal without any objections.
		Review and revise the organizational structure of the Company	None	When discussing and voting this proposal, the present personnel are asked to leave. Upon the chairman putting forward the resolution for approval, all attending members voted in favor of the proposal without any objections.

Date	Term	Contents of Motions	Independent directors' objections, reservations or major suggestions	Resolution results of the Audit Committee and the Corporation's Handling of Its Opinions
2023/12/18	5th meeting of the 3rd board	Review the guarantee for the Company's investee, Shang De Motor Co., Ltd., within the amount of NT\$ 50 million.	None	When discussing and voting this proposal, the present personnel are asked to leave. Upon the chairman putting forward the resolution for approval, all attending members voted in favor of the proposal without any objections.

(II) Except for the aforementioned matters, other resolutions which were not approved by the Audit Committee but approved by two-thirds of all Board of Directors members: None.

III. Regarding recusals of independent directors from voting due to conflicts of interest, the names of the independent directors, contents of motions, reasons for recusals, and results of voting shall be specified: None.

Date	Term	Contents of Motions	Avoidance of conflict of interest and voting
2023/04/07	14th meeting of the 2nd board	Review the lifting of newly elected Directors from the non-compete restrictions resolution	<p>When discussing and voting this proposal, the present personnel are asked to leave.</p> <p>This case is being handled on a vote-by-vote, recusal-by-recusal basis.</p> <p>When voting for the resolution to the lifting of Director Chin-Fa Chiu's restriction on non-competition, Director Chin-Fa Chiu was recused from the meeting. Upon the acting chairman putting forward the resolution for approval, all attending Directors voted in favor of the proposal without any objections.</p> <p>When voting for the resolution to the lifting of Independent Director David Ching's restriction on non-competition, Independent Director David Ching was recused from the meeting and Independent Director Mao-Jung Wang was appointed for the acting chairman. After the acting chairman of the Board of Directors consulted with the remaining directors in attendance, the resolution was approved with no objections.</p> <p>When voting for the resolution to the lifting of Director Wei-Kang Chen's restriction on non-competition, Director Wei-Kang Chen was recused from the meeting.</p>

IV. Communication between the independent directors, chief internal auditor, and CPAs (including the key items, methods, and results of audit of finances and operations).

(I) Communication status between independent directors and internal audit officer

1. Communication policy between independent directors and audit officer

In addition to the audit report received by independent directors on a monthly basis, the

audit officer shall submit the audit report of the Company to the independent directors at least once a year, and have fully exchanged on the implementation and effectiveness of the audit work.

2. Summary of communication between independent directors and internal audit officer

Date	Attending Members	Items	Results
2023/03/09 Audit communication meeting (before the audit committee)	David Ching, Wei-Kan Chen, Mao-Jung Wang	October 2022-January 2023 audit business report and description.	After discussion and communication, the independent directors have no objections.
2023/05/08 Audit communication meeting (before the audit committee)	David Ching, Wei-Kan Chen, Mao-Jung Wang	February 2023-March 2023 audit business report and description.	After discussion and communication, the independent directors have no objections.
2023/08/14 Audit communication meeting (before the audit committee)	David Ching, Wei-Kan Chen, Mao-Jung Wang	April 2023-June 2023 audit business report and description.	After discussion and communication, the independent directors have no objections.
2023/11/13 Audit communication meeting (before the audit committee)	David Ching, Wei-Kan Chen, Mao-Jung Wang	July 2023-September 2023 audit business report and description.	After discussion and communication, the independent directors have no objections.

(II) Communication between independent directors and CPA

1. Communication policy between independent directors and internal audit

The audit committee of the company is composed of all independent directors. The CPA shall report to the independent directors at least twice a year on the company's financial status, overall operation and internal control audit status, and fully communicate whether there are major adjustments to the entries or amendments to laws and regulations that affect the accounting.

2. Summary of communication between independent directors and CPA

Date	Attending Members	Items	Opinions and Recommendations
2023/03/09 Meeting on key audit matters (before the board of directors meeting)	David Ching, Wei-Kan Chen, Mao-Jung Wang	CPA's explanation on key audit report items of financial statements in 2022.	None
2023/11/13 Meeting on key audit matters (before the board of directors meeting)	David Ching, Wei-Kan Chen, Mao-Jung Wang	CPAs discussed the audit planning matters for 2023 financial statements.	None

(III) Corporate governance implementation status and deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons

Evaluation Item	Implementation Status			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
	Yes	No	Description	
I. Does the Company establish and disclose the Code of Corporate Governance Practice in accordance with the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies?	V	-	The Company drafted the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies in 2020 and disclosed on the company's website.	Without deviation.
II. Shareholding structure & shareholders' rights (I) Does the company establish and implement internal operating procedures to deal with shareholders' suggestions, doubts, disputes, and litigations?	V	-	(I) The Company has a spokesperson and an acting spokesperson to respond to the suggestions or doubts raised by shareholders; disputes or litigation issues shall be addressed by lawyers. The share issues will be processed by the Company's share broker Stock Affairs Agency Department of Taishin Securities.	(I) Without deviation.
(II) Does the company possess a list of its major shareholders with controlling power as well as the ultimate owners of those major shareholders?	V	-	(II) The Company makes the list of the major shareholders who actually control the Company and the ultimate controllers of the major shareholders in a timely manner, and reports within one month after the Annual General Meeting in accordance with Article 3 of the Rules Governing Information Reporting by Listed Companies.	(II) Without deviation.

Evaluation Item	Implementation Status			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
	Yes	No	Description	
(III) Does the company establish and execute a risk management and firewall system within its affiliates?	V	-	(III) The Company is independent of its affiliated enterprises and has separate financial control, and has formulated the "Procedures for the Acquisition or Disposal of Assets", "Operating Procedures for Loaning Funds to Others" and "Operating Procedures for Endorsement and Guarantee". In addition, in accordance with the "Regulations Governing Establishing of Internal Control System by Public Companies" promulgated by the competent authority, the Company has formulated the control procedures, including "the Management of Related Party Transactions" and "the Management of Financial Statement Preparation Process" in terms of internal control regulations. The risk control mechanism and firewall have been properly established, and the management measures for the supervision of subsidiaries have been formulated for implementation.	(III) Without deviation.
(IV) Does the company establish internal rules against insiders using undisclosed information to trade in securities?	V	-	(IV) The Company has established a "Code of Ethical Conduct" and "Administrative Measures to Prevent Insider Trading" to regulate relevant behaviors and to inform the company's insiders to strictly follow them. The company employees shall abide by the provisions of the Securities and Exchange Act and shall not use the known unpublished information to engage in insider transactions or disclose it to others, so as to prevent others from using the unpublished information to engage in insider transactions.	(IV) Without deviation.

Evaluation Item	Implementation Status			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
	Yes	No	Description	
III. Composition and responsibilities of the Board of Directors (I) Has the Board of Directors formulated a diversification policy, substantial management objectives and implemented accordingly? (II) Other than Remuneration and Audit Committees which are required by laws, does the Company plan to set up other functional committees?	V	-	(I) Please refer to the “Diversity and Independence of the Board” section on page 17 of this Annual Report for the diversity policy, specific management objectives and implementation status of the Company. The director diversity policy and its implementation status are disclosed on the Company’s website. (II) The Sustainable Development Committee was established on December 18, 2023, with a total of three members, including two independent directors and one director from the company. The committee is required to convene at least twice a year and may hold additional meetings as needed. The responsibilities include formulating appropriate sustainable development policies, reviewing sustainability reports, overseeing the direction and implementation plans of the company's sustainable development policies, regularly monitoring progress, and reporting annual accomplishments to the board of directors.	(I) Without deviation. (II) Without deviation.

Evaluation Item	Implementation Status			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
	Yes	No	Description	
(III) Has the Company formulated rules and methods for the performance assessment of the Board of Directors and evaluate the Board performance every year? Is the outcome of performance assessment submitted to the Board of Directors and used as reference for the remuneration and re-election nomination of individual Director?	V	-	(III) The Company has established the performance evaluation method of the board of directors in 2019. The self or peer evaluation of the board of directors will be implemented regularly every year, and the evaluation scope, evaluation method, evaluation results and relevant improvement suggestions will be submitted to the board of directors in the first quarter of the next year for their reference to decide the individual directors' remuneration and nomination. The performance evaluation of individual director, the board of directors, the audit committee and the remuneration committee was carried out in 2023. The evaluation period was from November 1, 2022 to October 31, 2023, and the performance evaluation results were submitted to the board of directors on March 9, 2024. Please refer to the Investor section of our website for the evaluation content and results.	(III) Without deviation.

Evaluation Item	Implementation Status			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof																		
	Yes	No	Description																			
(IV) Has the Company periodically evaluate the independence of the CPAs?	V	-	<p>(IV) According to the Report of Audit Quality Indicators (AQIs) according to the Professional Ethics Bulletin No. 10 “Integrity, Objectivity and Independence” set forth by the CPA Associations of the Republic of China and the Company’s form “Independence and Competency of CPAs for 2023 Annual Financial Statements”, the Company assesses CPAs’ independence and the authorized CPAs and their accounting firm for free of interest in the Company and changes the CPAs upon a certain period of time as required. Refer to AQIs to confirm that the CPAs and the CPA firm are above average in terms of training hours and quality control support capability.</p> <p>The most recent evaluation was adopted by the resolution of the 6th meeting of the 3rd term of Audit Committee on March 8, 2024 and submitted to the 7th meeting of the 24th term of Board of Directors on March 8, 2024.</p> <table><tr><th>Evaluation Item</th><th>Result (Yes/No)</th><th>Meet independence status? (Yes/No)</th></tr><tr><td>1. No direct or indirect material financial interests with the Company.</td><td>Yes</td><td>Yes</td></tr><tr><td>2. No financing or guarantee activities with the Company or its directors.</td><td>Yes</td><td>Yes</td></tr><tr><td>3. No close business relationship or potential employment relationship with the Company.</td><td>Yes</td><td>Yes</td></tr><tr><td>4. The CPAs and members of the audit team do not serve as directors or managerial officers or holding positions with significant influence on the audit work of the Company at present or in the past 2 years.</td><td>Yes</td><td>Yes</td></tr><tr><td>5. No provision of non-audit services that may directly affect the audit work.</td><td>Yes</td><td>Yes</td></tr></table>	Evaluation Item	Result (Yes/No)	Meet independence status? (Yes/No)	1. No direct or indirect material financial interests with the Company.	Yes	Yes	2. No financing or guarantee activities with the Company or its directors.	Yes	Yes	3. No close business relationship or potential employment relationship with the Company.	Yes	Yes	4. The CPAs and members of the audit team do not serve as directors or managerial officers or holding positions with significant influence on the audit work of the Company at present or in the past 2 years.	Yes	Yes	5. No provision of non-audit services that may directly affect the audit work.	Yes	Yes	(IV) Without deviation.
Evaluation Item	Result (Yes/No)	Meet independence status? (Yes/No)																				
1. No direct or indirect material financial interests with the Company.	Yes	Yes																				
2. No financing or guarantee activities with the Company or its directors.	Yes	Yes																				
3. No close business relationship or potential employment relationship with the Company.	Yes	Yes																				
4. The CPAs and members of the audit team do not serve as directors or managerial officers or holding positions with significant influence on the audit work of the Company at present or in the past 2 years.	Yes	Yes																				
5. No provision of non-audit services that may directly affect the audit work.	Yes	Yes																				

Evaluation Item	Implementation Status			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof																		
	Yes	No	Description																			
			<table><tr><th>Evaluation Item</th><th>Result (Yes/No)</th><th>Meet independence status? (Yes/No)</th></tr><tr><td>6. Not an intermediary of the shares or other securities issued by the Company.</td><td>Yes</td><td>Yes</td></tr><tr><td>7. Not serving as a defense counsel of the Company or representing the Company in mediating conflicts with third parties.</td><td>Yes</td><td>Yes</td></tr><tr><td>8. Not a family member or relative of a director or managerial officer or person holding a position that has a significant impact on the audit work of the Company.</td><td>Yes</td><td>Yes</td></tr><tr><td>9. As of the latest auditing, the CPAs do not provide audit services to the Company for seven consecutive years.</td><td>Yes</td><td>Yes</td></tr><tr><td>10. So far, the CPAs have not been punished.</td><td>Yes</td><td>Yes</td></tr></table>	Evaluation Item	Result (Yes/No)	Meet independence status? (Yes/No)	6. Not an intermediary of the shares or other securities issued by the Company.	Yes	Yes	7. Not serving as a defense counsel of the Company or representing the Company in mediating conflicts with third parties.	Yes	Yes	8. Not a family member or relative of a director or managerial officer or person holding a position that has a significant impact on the audit work of the Company.	Yes	Yes	9. As of the latest auditing, the CPAs do not provide audit services to the Company for seven consecutive years.	Yes	Yes	10. So far, the CPAs have not been punished.	Yes	Yes	
Evaluation Item	Result (Yes/No)	Meet independence status? (Yes/No)																				
6. Not an intermediary of the shares or other securities issued by the Company.	Yes	Yes																				
7. Not serving as a defense counsel of the Company or representing the Company in mediating conflicts with third parties.	Yes	Yes																				
8. Not a family member or relative of a director or managerial officer or person holding a position that has a significant impact on the audit work of the Company.	Yes	Yes																				
9. As of the latest auditing, the CPAs do not provide audit services to the Company for seven consecutive years.	Yes	Yes																				
10. So far, the CPAs have not been punished.	Yes	Yes																				
IV. Has the Company (list on a stock or OTC market) engaged an appropriate number of qualified corporate governance personnel, and designated the corporate governance officer to be responsible for corporate governance-related matters (including but not limited to providing directors and supervisors with necessary information to perform business, assisting directors and supervisors in	V	-	(I) The Company appointed the corporate governance officer through the Board of Directors on December 23, 2020. The main job functions are to handle matters pertaining to Board meetings and shareholders' meetings, produce minutes of Bard meetings and shareholders meetings, assist Directors with assuming office and continuing education, provide information required for business execution by Directors, and assist Directors with regulatory compliance, and report to the Board of Directors the results of the examination of whether the qualifications of independent directors are in conformity with relevant laws and regulations at the time of nomination, election and during the term of office, and handle matters related to the change of directors and other matters stipulated in the Articles of Incorporation or contracts of the Company.	Without deviation.																		

Evaluation Item	Implementation Status			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
	Yes	No	Description	
complying with laws and regulations, handling matters related to the meetings of the Board of Directors and the shareholders' meeting according to laws, and taking the minutes of board and shareholders' meetings)?			<p>(II) The Company also set up an ESG implementation team to help promote and strengthen the functions of the board of directors and enhance the sustainable value of the enterprise; improve information transparency and promote sustainable management; strengthen the communication between stakeholders and build a good interactive channel; align with international standards and guide due diligence governance; deepen the Company's sustainable governance culture and provide diversified commodities.</p> <p>(III) In 2023, corporate governance director will focus on the following work:</p> <ol style="list-style-type: none"> 1. Go through 2023 corporate change registration. 2. Provide continuous learning information for board members, and invite external lecturers to assist in completing the learning courses. 3. Purchase the “directors, supervisors and managerial officers liability insurance”. 4. Urge to convene the communication meeting with CPAs, independent directors, and the auditors to ensure internal audit control, and the minutes of such meeting shall be released on the company's website. 5. The proposed meeting schedule of the board of directors shall be notified to the directors seven days in advance, the meeting shall be convened and the meeting information shall be provided. In case of any matters to be avoided due to conflict of interests, such matters shall be notified in advance and shall be completed within 20 days after the meeting, with the minutes of the board meeting delivered. 	

Evaluation Item	Implementation Status			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
	Yes	No	Description	
			<p>6. Handle the relevant matters of the shareholders' meeting according to laws, and go through the registration of changes in the amendment to the Articles of Incorporation and the change of directors.</p> <p>7. Respond to the requirements of directors, assist directors in performing their duties and improve the efficiency of the board of directors.</p> <p>8. Support the Board of Directors and various functional committees in carrying out annual self-performance evaluations.</p> <p>9. Conduct a thorough review whether the qualifications of independent directors at the time of nomination and election and during their term of office are in compliance with relevant laws and regulations, and to report the results of such review to the Board of Directors.</p> <p>(IV) Continuing education of the corporate governance officer in 2023</p>	

Evaluation Item	Implementation Status				Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof																											
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V. Has the Company established a communication channel for its stakeholders (including but not limited to shareholders, employees, customers and suppliers) and created a stakeholder section	V	-	(I) The communication channels between the Company and stakeholders are unblocked. In addition to various departments responsible for communicating with their respective business, finance, development clients, other issues such as suggestions or doubts raised by stakeholders are responded by spokespersons and acting spokespersons and the Stock Affairs Agency Department of Taishin			Without deviation.																										

Evaluation Item	Implementation Status			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
	Yes	No	Description	
at the Company's website to address their concerns on major corporate social responsibility (CSR) issues?			Securities, a stock affairs agency appointed by the Company. (II) The stakeholder page has been set up on the Company's website. (https://www.sktextile.com.tw/investors/sustainability/2)	
VI. Has the Company appointed a professional shareholder service agency to organize the shareholders' meetings?	V	-	The Company appoints the Stock Affairs Agency Department of Taishin Securities, a stock affairs agency, to handle matters of shareholders' meeting.	Without deviation.
VII. Information disclosure (I) Has the Company established a corporate website to disclose information regarding the Company's financials, business and corporate governance status?	V	-	(I) The Company's website (http://www.sktextile.com.tw) has a dedicated investor section to disclose financial business and corporate governance information, with a link to the public information observatory of the Taiwan Stock Exchange to disclose the Company's financial and major information on a regular or irregular basis.	(I) Without deviation.
(II) Does the Company have other information disclosure channels (e.g., maintaining an English-language website, designating personnel to handle information collection and disclosure, implementing spokesperson system, uploading investor conference recordings to the corporate website)?	V	-	(II) The Company has a spokesperson and acting spokesperson system, and a specially assigned person is responsible for the collection and disclosure of the company's information. The information about corporate briefing meeting is published in the investor section of the Company's website.(http://www.sktextile.com.tw)	(II) Without deviation.

Evaluation Item	Implementation Status			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
	Yes	No	Description	
(III) Does the company publicly announce and file the annual financial reports within two months after the close of the given fiscal year and publicly announce and file the first, second, and third quarterly financial reports and the operation of each month ahead of the required deadline?	-	V	(III) The Company shall submit the annual financial report within three months after the end of the fiscal year in accordance with relevant regulations, and submit the quarterly financial report within 45 days after the end of the first, second and third quarters.	(III) The Company will be subject to the provisions of the statute.
VIII. Is there any other important information to facilitate a better understanding of the company's corporate governance practices (including but not limited to employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, directors' and supervisors' training records, the implementation of risk management policies and risk evaluation measures, the implementation of customer relations policies, and	V	-	(I) Employee's rights and interests: the Company complies with the provisions on employee's rights and interests in accordance with the Labor Standards Act and relevant regulations, allocates pension and employee benefits on a monthly basis, and insures group insurance and travel safety insurance to protect employee's rights and interests. (II) Employee care: The Company has established the Employee Benefit Committee and allocate employee benefit funds according to the total operating income, regularly organize employee travel or small-scale activities for team-building purposes, and set up an employee discount system, along with funeral allowance and children's education subsidy. Each site allocates budget every year to organize annual gathering and gifts in celebration of the Dragon Boat Festival and Mid Autumn Festival. Employees enjoy benefit products and discount, and regularly receive employee health	Without deviation.

Evaluation Item	Implementation Status			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
	Yes	No	Description	
purchase of liability insurance for directors and supervisors)?			examinations. In addition, employees may apply for maternity leave, paternity leave and parental leave according to laws. In 2023, employees traveled to Taichung, Tainan, Chiayi, and Taoyuan, etc. for tourism purposes. Employees were provided with the flexibility to choose the session they wanted to participate in. Planned and coordinated various family activities and employee career planning seminars, such as family activities at the Taipei Zoo and retirement planning seminars.	
			<p>The Company's internal management rules emphasizes and protects the interests of pregnant employees. The Company has signed long-term contracts with day care centers in the neighborhood areas of each factory to ease the babysitting concern. Employees are entitled to parental leave before any of their children reach the age of three years old pursuant to the "Act of Gender Equality in Employment" and the "Regulations for Implementing Unpaid Parental Leave for Raising Children" for a period not exceeding two years. The Company would make arrangements for reinstatement after the parental leave. In 2023, there were 2 employees who applied for parental leaves.</p> <p>(III) Investor relations: the Company has spokespersons and acting spokespersons, who are responsible for responding to investor suggestions, communication, etc.</p> <p>(IV) (IV) Supplier relations: The Company establishes good relationships with its suppliers and provides products that meet the Company's needs through long-term dealings with them, invites suppliers from time to time for market information exchange and holds technical seminars. Supplier assessment is conducted every year and the Company will</p>	

Evaluation Item	Implementation Status			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
	Yes	No	Description	
			<p>provide guidance to suppliers with poor evaluation results, and increasingly purchase and develop new business with suppliers with excellent evaluation results. The Company will visit suppliers from time to time to inspect their implementation of social responsibility.</p> <p>When signing a contract with a supplier, the Company will ask the supplier to comply with the "Shinkong Textile's Ethical Corporate Management and Code of Ethical Conduct" and fill out the supplier's form with their basic information. Apart from furnishing their basic details, suppliers must also disclose any adverse environmental effects resulting from their products and production processes, along with any significant labor disputes, human rights violations, or negative impacts, as well as the measures taken to address them. When providing samples, the supplier must be tested and qualified by the unit and comply with bluesign, GRS, OCS, RWS or promise not to violate bluesign, GRS, ZDHC MRSL and the relevant regulations of banned and restricted substances in the environmental protection laws and regulations of each country. The Company conducts environmental, social, and human rights assessments of its major suppliers every year, and if the assessment is unsuccessful and no improvement is made within the deadline, the supplier will be disqualified. The Company discussed and evaluated supplier quality, delivery time, production capacity and supply chain disruption risk in weekly operations meetings, and provided project coaching to suppliers with poor quality rating; and held a number of supplier conferences, quality exchanges and guidance in 2023. For the suppliers audited by the</p>	

Evaluation Item	Implementation Status			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
	Yes	No	Description	
			<p>Company on the spot and rated, the Company increased the purchase limit and gave priority to the development of new products.</p> <p>(V) Rights of stakeholders: In addition to communication and coordination with stakeholders, all departments shall regularly publish financial and other relevant information and material information at the public information observatory in accordance with the regulations of the competent authority.</p> <p>(VI) Training of directors and supervisors: The training of directors of the Company on relevant corporate governance courses has been reported at the public information observatory in accordance with regulations. Please refer to Page 62 note 2 "training of directors in 2023" for details.</p> <p>(VII) implementation of risk management policies and risk evaluation standards: The Company has established internal control and internal audit systems and carries out various risk management and assessments. Regarding major corporate decision-making, if any director or a juristic person represented by a director is an interested party with respect to any agenda item, the director shall state the important aspects of the interested party relationship at the respective meeting. When the relationship is likely to prejudice the interests of the Company, the director may express opinions and reply the enquiries and shall not participate in discussion or voting on that agenda item, and further, shall enter recusal during discussion and voting on that item and may not act as another director's proxy to exercise voting rights on that matter. On November 10, 2021, "Risk management policies and procedures" was</p>	

Evaluation Item	Implementation Status			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
	Yes	No	Description	
			<p>adopted at the 10th meeting of the 23rd board of directors, which specifies that the report to the board of directors shall be submitted at least once a year on the analysis, prevention and monitoring of overall risks or major risk control issues, as well as the implementation progress of risk control and management plan and management tracking improvement. . The last report of the Board of Directors is dated: December 18, 2023 (the 6th meeting of the 24th term of Board of Directors)</p> <p>The key business driving principles of the Risk Management Team are: In response to the changes in the global economic environment and sustainable risks, it cooperates with R&D, manufacturing and sales units, as well as finance, legal, human resources, information systems and environmental safety management departments to identify and grasp the risks that may affect the sustainable development of the Company from the financial, strategic, operational and disaster aspects, and, through risk transfer, reduction and avoidance related management strategies and response measures, minimizes possible risks and enhances positive operating opportunities.</p> <p>(VIII) Implementation of client policy: Based on marketing, the Company works with internationally leading brands in product research and development, to provide customers with the best quality products.</p> <p>(IX) The liability insurance purchased by the Company for directors: The Company has purchased the liability insurance for directors, supervisors and managerial officer since June 2019 and submitted to the board of directors.</p>	

Evaluation Item	Implementation Status			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
	Yes	No	Description	
IX. Please explain the improvements made in accordance with the Corporate Governance Evaluation results released by the Taiwan Stock Exchange's Corporate Governance Center, and provide the priorities and plans for improvement with items yet to be improved. Progress of improvement on items that the Company did not receive positive scores in the 10th Corporate Governance Evaluation in 2023 is as follows:				
No.	Indicator		Priority of pending issues	
II. To strengthen the structure and operation of the Board				
2.6	Is there at least one female director on the Company's board of directors? [If each gender of the company's directors accounts for more than one-third of the seats on the board of directors, an additional point will be added to the total score.]		Improvements are expected to be made by the upcoming 2026 director election.	
III. To enhance information transparency				
3.14	Does the Company's annual report disclose the link between the performance evaluation and remuneration of directors and managers?		Directors' remuneration is allocated to the directors on the basis of their contribution.	
3.18	Does the Company have an English-language corporate website with financial, business and corporate governance information?		The Company's official website is scheduled to undergo a thorough bilingual redesign and launch in 2024.	
IV. To promote sustainable development				
4.7	Is the English version of the Company's sustainable development report available on the MOPS and the Company's website?		The English version of the sustainable development report is expected to be uploaded in 2025.	

Note 1:

Succession Plan and Management Goals of Members of the Board of Directors and Key Managerial Officers

In the succession planning of the Company, the successor must be highly competent, and his/her business philosophy should be consistent with the Company. The Company upholds such values integrity, fairness, innovation, teamwork, loving life and the earth, and pays attention to the promotion and implementation of social responsibility.

The integrity and moral business operation indicators have been added into the self performance appraisal for the board of director, to strengthen the members of the board of directors to show integrity and moral values through action.

At present, there are 4 incumbent directors and 3 independent directors. All director members agree with the Company's business philosophy and understand the industrial situation of the Company. Also, they have considerable experience in international political and economic situation, law compliance, international operation and management and manufacturing operation and management. In response to the changing international competition management environment and the continuous updating of laws and regulations (such as corporate governance), the Company also designs the dedicated courses for the board members, and each board member receives at least 6 hours of courses every year to keep abreast of the industrial knowledge and the latest information.

Among the current members of the Board of Directors, Director Chin-Fa Chiu is the President of the Company. He joined the Board of Directors during his tenure and is familiar with the operation of the Board of Directors. Moreover, he is familiar with the business of the Company, and has contributed a lot to the long-term development of the Company's business during his tenure as a director.

The senior executives of the Company and its group company have different professional abilities and can be selected in the talent pool for future directors.

For important management, the Company has designed a series of executive promotion and training programs in line with the Company's operation and globalization and promotes personal development plans. The Company releases information in an open and transparent way among departments. Senior executives exchange and discuss information through various seminars.

"Innovation" , "strategic planning" , "global thinking" and "vision leadership" are required capacities for the management. The annual curriculum is designed in line with the needs surveyed from directors. Annual performance is assessed to know their personal capacity, give appropriate guidance and assistance, and improve their performance.

Currently, the Company has proposed a succession plan for key executives of the Company. In a period of one to five years, the directors of key positions propose the main and secondary successors, and put forward the concept of job agency, so that the main and secondary successors can learn about the company in charge of key positions, and improve the preparation for the position.

In response to the Company's development and organizational growth momentum, in addition to internally developing potential middle and high-level managers, the Company also invites outstanding high-level talents in the industry to join the Company's management team. The Company train important managers in an open and transparent way, and recruit the future management team in a planned and targeted manner.

Note 2: Training of directors in 2023

Title	Name	Date	Host	Class	Duration	Total Number of Hours of Continuing Education in the Year
Chairman	Hsing-En Wu	2023/08/07	Corporate Operating and Sustainable Development Association	Discussion on Business Operations and Strategies for Mergers and Acquisitions by Taiwanese Companies in the Context of Global Political and Economic Situations	3.0	12.0
		2023/09/28	Taiwan Academy of Banking and Finance	Corporate Governance Seminars	3.0	
		2023/10/31	Taiwan Academy of Banking and Finance	Corporate Governance Seminar - Corporate Sustainable Operations	3.0	
		2023/11/20	Risk Management Society of Taiwan, R. O. C.	IFRS 17 Supervisory Trends and Case Studies	3.0	
Director	Hsin-Hung Wu	2023/06/02	Chinese National Association of Industry and Commerce	2023 Taishin Net Zero Summit	3.0	6.0
		2023/08/18	Taiwan Corporate Governance Association	Big Data Analytics and Fraud Prevention	3.0	
Director	Chin-Fa Chiu	2023/10/25	Securities and Futures Institute	Practical Workshop for Directors and Supervisors (including Independent) and Corporate Governance Executives-Taipei session	12.0	12.0
Director	Po-Han Lin	2023/09/27	Accounting Research and Development Foundation	Corporate Fraud Investigation Practices and Case Studies	6.0	6.0

Title	Name	Date	Host	Class	Duration	Total Number of Hours of Continuing Education in the Year
Independent Director	David Ching	2023/11/03	Taiwan Corporate Governance Association	Litigation and Beyond - How to Write an Effective Dispute Resolution Clause in a Contract?	3.0	6.0
		2023/12/15	Corporate Operating and Sustainable Development Association	Compliance practices and case studies of board of directors and legal responsibilities of directors and supervisors	3.0	
Independent Director	Wei-Kan, Chen	2023/09/19	Coporate Operating and Sustainable Development Association	Achieving Carbon Reduction Goals with Limited Resources for Businesses	3.0	6.0
		2023/10/18	Coporate Operating and Sustainable Development Association	Controversies Regarding Board of Directors and Shareholders' Meeting Procedures in the Context of Recent Ownership Disputes	3.0	
Independent Director	Mao-Jung Wang	2023/04/18	Taiwan Securities Association	Enhancing Information Security in the Financial Industry	3.0	12.0
		2023/10/17	Taiwan Corporate Governance Association	How can independent directors combine business judgment and fulfill their duty of loyalty?	3.0	
		2023/10/20	Taiwan Corporate Governance Association	Trends in Smart Manufacturing and Application of Digital Technology in Management	3.0	
		2023/10/20	Taiwan Corporate Governance Association	Sustainable Risk Trends and Strategies	3.0	

(IV) For companies having a compensation committee, the committee's composition, duties and operations:

The Remuneration Committee shall be appointed by resolution of the board of directors for the same term of office as the appointed board of directors. More than half of the members shall be held by independent directors, and all members shall elect independent directors to serve as the convener and chairman of the meeting. Its professional qualification and independence shall comply with the provisions of Articles 5 and 6 of the Functions and Powers of the Remuneration Committee. The Committee formulates and regularly reviews the policies, systems, standards and structure of the performance assessment and remuneration of Directors and managerial officers, and regularly evaluate and determine the remuneration of directors and managers, and submit the suggestions to the board of directors for discussion.

1. Information on Remuneration Committee Members

March 30, 2024

Title	Qualifications	Professional Qualification and Work Experience	Independence	Number of Other Public Companies in Which the Individual is Concurrently Serving as an Remuneration Committee Member
	Name			
Independent Director	David Ching	The Remuneration Committee of the Company consists of two independent directors and one expert member. Please refer to the attached schedule for the professional qualifications and experience of the members.	All remuneration committee members meet the following conditions: 1. Meet Article 14(6) of Securities and Exchange Act and the "Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Taiwan Stock Exchange or the Taipei Exchange" (note) 2. They (or in the name of others), their spouse and minor children do not hold shares of the Company 3. No compensation is received for providing commercial legal, financial, accounting or related services to the Company or any affiliate of the Company in the past 2 years	0
Independent Director	Wei-Kan, Chen			0
Others	Chi-Yen Liang			2

Note: Professional qualifications and experience of compensation committee members

Name	Nationality	Age	Gender	Education	Industrial experience				Professional Capabilities		
					Operation	Business	Leadership	Industrial knowledge	Finance and accounting	Commerce	Law
David Ching	U.S.A.	40~49	Male	BS in Management Science - Economics, University of California, San Diego President of Violet Lake Pavillion Hotel, Qiandao Lake Has more than five years of work experience necessary for the business of the Company	V	V	V		V	V	
Wei-Kan, Chen	R.O.C.	40~49	Male	Master of Finance, University of Cambridge/ Master in Design Studies (Real Estate) Harvard University/ Senior Consultant of E.R.C. Group/ Executive Director, Harvard Design International., Ltd. Has more than five years of work experience necessary for the business of the Company		V				V	V
Chi-Yen Liang	R.O.C.	60~69	Male	Master of Business Administration, National Chengchi University Bachelor of Chemistry, National Tsing Hua University Lecturer of Management, Soochow University CEO of Huawei International Technology Consultant Co., Ltd. Member of Remuneration Committee, Sesoda Corporation Independent Director, Excelliance MOS Corporation Has more than five years of work experience necessary for the business of the Company	V	V	V	V	V	V	V

Note: During the two years before being elected or during the term of office, the independent director may not have been or be any of the following:

- (1) An employee of the company or any of its affiliates.
- (2) A director or supervisor of the company or any of its affiliates.
- (3) A natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of 1% or more of the total number of outstanding shares of the Company or is ranked in the top 10 in shareholdings.
- (4) A spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the managerial officer in the preceding 1 subparagraph, or of any of the persons in the preceding three sub-paragraphs.
- (5) A director, supervisor or employee of a corporate shareholder that directly holds five percent or more of the total number of issued shares of the company, or that ranks among the top five in shareholdings, or that designates its representative to serve as a director or supervisor of the company under Article 27 of the Company Act.
- (6) If a majority of the company's director seats or voting shares and those of any other company are controlled by the same person: a director, supervisor, or employee of that other company.
- (7) If the chairperson, general manager, or person holding an equivalent position of the company and a person in any of those positions at another company or institution are the same person or are spouses: a director (or governor), supervisor, or employee of that other company or institution.
- (8) A director (or governor), supervisor, managerial officer, or shareholder holding five percent or more of the shares, of a specified company or institution that has a financial or business relationship with the company.
- (9) A professional individual, sole proprietorship, partnership, owner of a company or institution, partner, director (or governor), supervisor, managerial officer or spouse thereof that provides auditing service for the Company or any of its affiliates, or provides commercial, legal, financial, or accounting service with cumulative remuneration less than NT\$500,000 in the past two years. The above regulations do not apply for the members of the Remuneration Committee of the Company.

2. Operational Status of the Remuneration Committee

- (1) The Company's Remuneration Committee comprises of three members.
- (2) The term of office for the 6th committee: from June 6, 2023 to May 25, 2024. The Remuneration Committee convened three meetings in recent year. The attendance of members is as follows:

Title	Name	Attendance in Person	Attendance by Proxy	Required to attend	Attendance Rate (%)	Note
Convener	David Ching	3	0	3	100%	None
Member	Wei-Kan, Chen	3	0	3	100%	None
Member	Chi-Yen Liang	2	1	3	67%	None

Other matters required to be recorded:

- I. If the Board of Directors refuses to adopt or amends a recommendation of the Remuneration Committee, the date of the meeting, session, content of the motion, resolution by the Board of Directors, and the company's response to the Remuneration Committee's opinion (e.g., if the remuneration passed by the Board of Directors exceeds the recommendation of the Remuneration Committee, the circumstances and cause for the difference shall be specified) shall be specified: None.
- II. If there are resolutions of the Remuneration Committee to which members object or express reservations, and for which there is a record or declaration in writing, the date of the meeting, session, content of the motion, all members' opinions and the response to members' opinion shall be specified: None.
- III. The date, session, proposal contents and resolutions of the Remuneration Committee, and the Corporation's actions in response to the opinions of the Remuneration shall be stated:

Remuneration Committee		Contents of Motions and Actions Taken	Resolutions	Actions Taken
Date	Term			
2023/03/09	The 9th meeting of the 5th term	To review the performance assessment and remuneration system, standard, structure and plan of the Company's Directors and managerial officers and the principles for the distribution of 2022 year-end bonuses.	After the discussion of all the members present, it is found that the system, standard, structure and compensation plan of performance evaluation and compensation of directors and managers as well as the principle of year-end bonus payment are reasonable. After consulting all the members present, the case is passed without objection.	Reported to the Board and approved by all attending Directors.

Remuneration Committee		Contents of Motions and Actions Taken	Resolutions	Actions Taken
Date	Term			
2023/08/14	First meeting of the 6th board	Discuss the remuneration for Independent Directors.	This case is being handled on a vote-by-vote, recusal-by-recusal basis. During the discussion of their individual proposals, Independent Directors David Ching and Wei-Kan Chen were recused from the discussion and voting. All attending members had approved the motion upon enquiry made by the Chairman. Thus, it was approved as proposed.	Reported to the Board and approved by all attending Directors.
		Review the principles for the distribution of 2022 compensation to employees and remuneration to Directors.	As discussed by all attending members at the meeting, the principles for the distribution of compensation to employees and remuneration to Directors were reasonable. All attending members had approved the motion upon enquiry made by the Chairman. Thus, it was approved as proposed.	Reported to the Board and approved by all attending Directors.
2023/10/11	Second meeting of the 6th board	Establishment of new overseas plants and renaming of the marketing department of the Company's organization	All attending members had approved the motion upon enquiry made by the Chairman. Thus, it was approved as proposed.	Reported to the Board and approved by all attending Directors.
		Deliberation on the remuneration of the proposed president of the Taiwan Plant of the Company	All attending members had approved the motion upon enquiry made by the Chairman. Thus, it was approved as proposed.	Reported to the Board and approved by all attending Directors.

(V) Implementation Status of Sustainable Development and Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof

Assessment Item	Implementation Status			Gaps with the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies and root causes
	Yes	No	Description	
I. Has the Company established exclusively (or concurrently) dedicated units to implement sustainable development, and has the Board of Directors appointed the senior management with responsibility for sustainable development, and to report the status of the supervision to the Board of Directors? (TWSE/TPEX-listed companies should report the implementation status, not the compliance or explanation.)	V	-	<p>To promote sustainable development, the Company, appointed by the board of directors, set up a dedicated division - ESG Promotion Group from November 11, 2020 to be responsible for the promotion of corporate social responsibility and sustainable development. The members of the group include the management department of the headquarters, legal affairs, production divisions and business related personnel, and the executive Vice President acts as the convener. ESG promotion group (Sustainable Development Promotion Group) is dedicated to enhancing the sustainable value of the enterprise; improving information transparency and promoting sustainable management; strengthening the communication between stakeholders and building a good interactive channel; aligning with international standards and guiding due diligence governance; deepening the Company's sustainable governance culture and implementing the policy for business. The Group will strive to promote sustainable development and fulfill corporate social responsibility in a systematic and organized way. The promotional team strive to promote sustainable development and fulfill corporate social responsibility in a systematic and organized manner.</p> <p>The ESG Promotion Group (Sustainable Development Promotion Group) regularly discusses, reports, and proposes improvements and budget on current, impact and proposed direction of environmental, occupational safety, product safety, and corporate governance..., and plans and assists in driving to ensure that the sustainable development strategy is fully implemented in the Company's operations. In addition to holding monthly internal meetings to review and discuss implementation results and future directions, the Company reports to the Sustainable Development Committee or the Director of the Committee at least on its work plan and handling status.</p> <p>The main themes of the ESG Promotion Group (Sustainable Development Promotional Group): zero fee for migrant workers, environmental sustainable development, energy saving, carbon and water conservation, and waste water recycling policy.</p>	Without deviation.

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			<p>Supervision by the Board of Directors: The Board of Directors assists in evaluating the feasibility of the sustainable development strategy and reviewing the progress of the promotion in the annual report, and may request the promotion group to adjust the Company's sustainable development strategy in light of environmental and external factors.</p> <ol style="list-style-type: none"> 1. Zero fee for migrant workers and direct state-to-state employment policies have positive effects on promoting international human rights policies, and we will continue to strengthen the promotion and auditing of labor policies and the implementation of social responsibilities along the supply chain. 2. Energy saving and waste reduction is an international trend, and greenhouse gas inventory and related verification operations are the key targets for business promotion in 2024to promote the installation of intelligent systems and to understand the use of energy and water consumption in factories. 3. Continue to develop and promote recyclable materials. 4. Assist the supply chain in recognizing social responsibility, human rights, environmental protection, carbon rights, climate change, and regulatory risks. <p>The Sustainable Development Committee was established on December 18, 2023, with a total of three members, including two independent directors and one director from the company. The committee is required to convene at least twice a year and may hold additional meetings as needed. The responsibilities include formulating appropriate sustainable development policies, reviewing sustainability reports, overseeing the direction and implementation plans of the company's sustainable development policies, regularly monitoring progress, and reporting annual accomplishments to the board of directors. The ESG promotion group and Risk Management Team currently in place are responsible for supporting the committee in the development and execution of strategies.</p>	

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II. Has the Company conducted risk assessments on environmental, social and corporate governance issues related to the Company's operations in accordance with the materiality principle, and formulate relevant risk management policies or strategies? (TWSE/TPEX-listed companies should report the implementation status, not the compliance or explanation.)	V	-	<p>The Company upholds the business philosophy and materiality principle of integrity operation. While pursuing the sustainable operation and profit of the enterprise, the Company performs corporate social responsibility, pays attention to the rights and interests of stakeholders, emphasizes the issues of environment, society and corporate governance, and integrates them into the company's management policies and operating activities, so as to achieve the goal of sustainable operation.</p> <p>Based on the principle of CSR materiality, the Company conducts risk assessment of important issues and formulate relevant risk management policies or strategies based on the assessed risks. The risk assessment boundary is based on the Company, including the head office, Taoyuan Factory and Dayuan Factory.</p> <table><tr><th>Aspects</th><th>Risk Identification Issues</th><th>Risk Mitigation Measures</th></tr><tr><td>Economic Aspect - Strategy</td><td>1. Developing the company's operational strategy, annual budget, business policies, and investment plans 2. Operational Strategy and Goal Setting 3. Management and Control of Operational Goal Achievement Rate</td><td>Board of Directors: Approval of the Annual Budget, Investment Direction, and Review of Operational Performance</td></tr><tr><td>Economic Aspect - Finance</td><td>1. Effect of interest rates, exchange rate changes and inflation on the Company's profit or loss 2. Significant domestic and international policy and law changes 3. Learning about Profit or Loss 4. Inventory Alert</td><td>1. The portion of foreign-currency derivatives from import and export operations is used as a natural hedge against currency fluctuations. The Company maintains foreign currency positions in response to its foreign currency funding needs and adjusts its foreign currency positions in a timely manner in response to changes in foreign exchange rates. 2. In order to comply with laws and regulations and prevent insider trading, we cooperate with the Corporate Governance Unit to arrange for related training courses and publicize laws and regulations.</td></tr></table>	Aspects	Risk Identification Issues	Risk Mitigation Measures	Economic Aspect - Strategy	1. Developing the company's operational strategy, annual budget, business policies, and investment plans 2. Operational Strategy and Goal Setting 3. Management and Control of Operational Goal Achievement Rate	Board of Directors: Approval of the Annual Budget, Investment Direction, and Review of Operational Performance	Economic Aspect - Finance	1. Effect of interest rates, exchange rate changes and inflation on the Company's profit or loss 2. Significant domestic and international policy and law changes 3. Learning about Profit or Loss 4. Inventory Alert	1. The portion of foreign-currency derivatives from import and export operations is used as a natural hedge against currency fluctuations. The Company maintains foreign currency positions in response to its foreign currency funding needs and adjusts its foreign currency positions in a timely manner in response to changes in foreign exchange rates. 2. In order to comply with laws and regulations and prevent insider trading, we cooperate with the Corporate Governance Unit to arrange for related training courses and publicize laws and regulations.	Without deviation.
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III. Environmental issues													
(I) Does the Company establish environmental management system designed to fit industry characteristics?	V	-	(I) The Company has obtained ISO 14001 certification of environmental management system (certification body: DNV; validity period: January 17, 2022 ~ January 17, 2025; certificate number: 128788-2013-AE-RGC-RvA); Swiss environmental protection standard Bluesign® Certification, organic content standard (OCs) certification, responsible wool standard (RWS) certification and global recycling standard (GRS) certification, and an employee from the production department is assigned to be responsible for maintaining environmental management.	(I) Without deviation.									

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(II) Does the company endeavor to utilize all resources more efficiently and use renewable materials that have low impact on the environment?	V	-	<p>(II) To comply with the relevant laws and regulations on environment and energy, and further reduce the environmental load, the Company proactively adopts relevant energy-saving, water-saving and waste reduction measures, replaces the general air compressor with variable frequency air compressor, establishes a dyeing overflow water reuse system and promotes the "No Waste, Total Recycle" plan for the complete recycling of polyester cloth, so as to effectively increase the sustainability of petrochemical raw materials and reduce the pollution of the earth and ocean caused by petrochemical wastes.</p> <p>In 2023, we purchased O-type dyeing tanks and dyeing machines, and utilized the design of O-type tanks to reduce the amount of water used for washing and at the same time increase the dyeing efficiency of the dyeing machines. Through statistical analysis, we learned about the energy-saving benefits of the O-type tanks, and the water-saving rate reached 51.52%, and the steam-saving rate reached 11.46%. By replacing energy-saving lighting equipment in some areas of the Daxi Plant, the energy-saving rate reached 58.8% by observing the statistical data, and the annual carbon emissions saved amounted to 35,090KG.</p> <p>The materials used by the Company comply with bluesign, GRS, OCS, RWS, ZDHC MRSL and relevant specifications of prohibited / restricted substances in national environmental protection regulations.</p> <p>In its independently developed products, the Company gives priority to the use of environmentally friendly, energy-saving and carbon reducing materials, and develops new products which is made of more than 90% recycled materials, included:</p> <p>(1) Zero waste products: We use recycled polyester yarn as the basic fabric raw material, in combination of the ISP recycling plan, and achieve "no waste, total recycle" with the concept of complete recycling of polyester fabric, so as to effectively increase the sustainability of petrochemical raw materials, reduce the pollution of the Earth and the ocean caused by petrochemical waste, and increase the added value of recycled products.</p>	(II) Without deviation.

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			<p>(2) Reuse of waste: In addition to recycling yarn from pet bottles and fishing nets that have been implemented for many years, the yarn is recycled from other environmental materials, such as the yarn recycled from waste of yarn factories, embryo cloth factories and garment factories, pineapple fiber of agricultural waste, polyester yarn with carbon capture and zero carbon Tencel, to achieve net zero carbon emission by 2050.</p> <p>(3) Application of sustainable renewable biomass.</p> <p>(4) Durable product development: Reduce the impact of excess consumption caused by fast fashion on the environment.</p> <p>(5) Water-saving: Invest in green process development plan. Waste water is recycled in the process of dyeing yarn to save water by 30%.</p>	
(III) Does the company assess the potential risks and opportunities of climate change for its current and future operations and undertake related response measures?	V	-	<p>(III) As the threat of global climate change becomes more intense, “environment and climate change risk” has risen to the top of the list of five enterprises facing risks. In order to understand and cope with potential strategies, the ESG Promotion Group reviews the Company’s risks and opportunities arising from climate change every year for self-assessment, and develops plans, reviews implementation and reports regularly to the Sustainable Development Committee or the chairperson.</p> <p>According to the TCFD framework, we assess the potential climate risk of the Company in four aspects: For more information, please see page 93 of the annual report.</p> <p>(1) Policy and regulatory risks: such as implementing a carbon pricing mechanism to reduce greenhouse gas emissions, encouraging water efficiency and levying water consumption charges, etc.</p> <p>(2) Technology risk: The impact of technological improvements and innovations that support low carbon and high efficiency on the Company's competitiveness.</p> <p>(3) Market risk: Supply and demand structure changes the mechanism of products and services.</p> <p>(4) The financial impact of physical risks caused by climate change, such as damage to assets or supply chain disruptions.</p>	(III) Without deviation.

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			<p>Immediate risk: mainly single events, including extreme weather events such as typhoons, tornadoes, and floods. Long-term risks: Long-term changes in climate patterns, such as persistent high temperatures that may cause sea level rise or prolonged heat waves.</p> <p>In order to reduce risk factors, the Company identifies and grasps the risks that may affect the sustainable development of the Company from the financial, strategic, operational and disaster aspects, and, through risk transfer, reduction and avoidance related management strategies and response measures, minimizes possible risks and enhances positive operating opportunities.</p>																	
(IV) Does the Company calculate its greenhouse gas (GHG) emissions, water consumption and total waste weight in the past two years, and formulate policies for energy conservation, GHG and water consumption, or other waste management?	V	-	<p>(IV) The Company has incorporated the performance of environmental management into the daily operations. For instance, statistics of water, electricity, and waste have been recorded since 2016, and GHG inventories have been conducted since 2019. We have also set annual targets for reductions of GHG emissions, water consumption, and waste volume and the targets are monitored quarterly by the environmental protection enforcement unit under the ESG Promotion Group.</p> <p>(1) The quantitative target of energy saving and carbon reduction management is: with FY2019 as the base year, to reduce the carbon intensity by 15% in 2025, and the target by 2023 has been achieved.</p> <ul style="list-style-type: none"> Greenhouse gas emissions for the most recent two years: (Data coverage: all plants) <div style="text-align: right;">Unit: tons (CO₂e)</div> <table> <tr> <th>Year</th> <th>Scope 1</th> <th>Scope 2</th> <th>Emissions per unit product (Tone CO₂e/m2)</th> </tr> <tr> <td>2021</td> <td>1,939</td> <td>16,294</td> <td>1.82</td> </tr> <tr> <td>2022</td> <td>2,206</td> <td>17,275</td> <td>2.02</td> </tr> <tr> <td>2023</td> <td>2,490</td> <td>15,968</td> <td>2.05</td> </tr> </table>	Year	Scope 1	Scope 2	Emissions per unit product (Tone CO ₂ e/m2)	2021	1,939	16,294	1.82	2022	2,206	17,275	2.02	2023	2,490	15,968	2.05	(IV) Without deviation.
Year	Scope 1	Scope 2	Emissions per unit product (Tone CO ₂ e/m2)																	
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Assessment Item	Implementation Status			Gaps with the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies and root causes
	Yes	No	Description	
			<p>In 2023, the total greenhouse gas emissions of Scope 1 and Scope 2 were 18,459 tons of CO₂e, with 8448 tons mainly from electricity emissions in Scope 2, accounting for 45.8% of the previous emissions, followed by purchased steam of 7521 tons, accounting for 40.8%.</p> <p>(2) In recent years, climate change has been a common concern worldwide. Extreme climate affects global ecosystem, and increases the risks of illnesses and death. Therefore, the Company established the ESG Promotion Group, which identifies environmental risks every year. The possible impact of climate change is considered in business operation. The Company estimates the probability and impact extent of risks, and formulates risk response and plans to mitigate the impact of risks on the Company's operation.</p> <p>According to the assessment of the current environmental risks by the ESG Promotion Group, shortage of water resources and how to save energy and reduce waste are the main impacts facing the textile industry. Green production process is thus developed. It is process engineered based on physics and requires substantially less chemicals and water. Not only does the process cuts down water consumption but the environmental hazard from chemical auxiliaries and polluted water is also prevented.</p> <p>In 2023, we purchased O-type dyeing tanks and utilized the design of O-type machines to reduce the amount of water used for washing and at the same time increase the dyeing efficiency of the dyeing machines. Through statistical analysis, we learned about the energy-saving benefits of the O-type tanks, and the water-saving rate reached 51.52%, and the steam-saving rate reached 11.46%.</p> <p>In addition, we will give priority to water-saving equipment when renewing equipment.</p> <p>The quantitative target for energy and water conservation management is: using FY2020 as the base year, the total water consumption will be reduced by 15% in 2025, and the target by 2023 has been achieved.</p>	

Assessment Item	Implementation Status			Gaps with the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies and root causes																								
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			<div><ul style="list-style-type: none">Water consumption for the most recent two years: (Data coverage: all plants)<table><tr><th>Year</th><th>Total volume (cubic meter)</th><th>Percentage of change</th></tr><tr><td>2021</td><td>80,071</td><td></td></tr><tr><td>2022</td><td>67,484.2</td><td>-15.72%</td></tr><tr><td>2023</td><td>48,161</td><td>-39.85%</td></tr></table><div>(3) The Company attaches great importance to environmental protection. All of our plants have passed ISO14001 environmental management system certification.</div><ul style="list-style-type: none">Waste output for the most recent three years: (data coverage: all plants)<table><tr><th>Year</th><th>Total amount (tonne)</th><th>Note</th></tr><tr><td>2021</td><td>36.11</td><td>None</td></tr><tr><td>2022</td><td>106.94</td><td>1. The total amount of waste includes 58.28 tons of recycled acoustic foam and 6.1 tons of sludge. 2. Increase in waste due to increase in production volume</td></tr><tr><td>2023</td><td>15.81</td><td>None</td></tr></table><div>Remarks: The Company’s waste is not hazardous waste “Zero Waste” is the goal of our company’s waste management. However, waste yarn and waste fabric in the textile industry are inevitable outputs in the production process, so our company reduces the amount of waste output through process improvement and cooperates with recycling companies to separate and recycle waste into acoustic cotton, fuel rods, or remanufactured yarn to achieve a circular economy and new green energy creation.</div></div>	Year	Total volume (cubic meter)	Percentage of change	2021	80,071		2022	67,484.2	-15.72%	2023	48,161	-39.85%	Year	Total amount (tonne)	Note	2021	36.11	None	2022	106.94	1. The total amount of waste includes 58.28 tons of recycled acoustic foam and 6.1 tons of sludge. 2. Increase in waste due to increase in production volume	2023	15.81	None	
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			In order to reduce the production of waste materials, we start from “design thinking”, so that a product can still be reused at the end of its life cycle, and promote the concept of “single material”, so that “waste materials” can become “materials” and be reused in the “closed loop system” (Shinkong Infinity Shirt Project (ISP)). In addition, we also develop durable products to enhance the durability and extend the service life of our products, so as to reduce the environmental impact of over-consumption caused by the so-called “fast fashion footsteps” and achieve waste reduction at source.	
IV. Social issues				
(I) Does the company formulate appropriate management policies and procedures according to relevant regulations and the International Bill of Human Rights?	V	-	<p>(I) The Company respects and supports internationally recognized human rights norms and principles, including the Universal Declaration of Human Rights, the United Nations Global Compact, and the ILO Declaration on Fundamental Principles and Rights at Work, and establishes human rights policies in accordance with the United Nations Guiding Principles on Business and Human Rights and relevant laws and regulations in Taiwan.</p> <p>The scope of the human rights policy includes the Company, its subsidiaries, joint ventures and other affiliates of the group with substantial control.</p> <p>The implementation guidelines are as follows:</p> <p>(1) Diversity, inclusion and equal work opportunities:</p> <ul style="list-style-type: none"> Prohibit child labor: We comply with local minimum age laws and regulations and do not employ child labor. We eliminate unlawful discrimination and ensure equal work opportunities: Discrimination on the basis of race, color, age, gender, sexual orientation, religion, disability, trade union membership or political affiliation is prohibited. Everyone is entitled to equal protection from discrimination of any kind. No inhumane treatment: Harassment, physical abuse, or threats thereof are prohibited. Prohibition of forced labor: We ensure that there is no forced, involuntary labor 	(I) Without deviation.

Assessment Item	Implementation Status			Gaps with the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies and root causes
	Yes	No	Description	
			<p>and that all terms and conditions of employment are voluntary.</p> <ul style="list-style-type: none"> We provide effective protection of labor rights and benefits and friendly and harmonious labor relations, implement fairness in employment, compensation and benefits, training, evaluation and promotion opportunities, and provide an effective and appropriate grievance mechanism to avoid and respond to situations that endanger employees' rights and benefits. <p>(2) Provide a safe and healthy working environment</p> <ul style="list-style-type: none"> We provide a safe and healthy working environment with zero discrimination and harassment. We support and assist employees to maintain physical and mental health and work-life balance. We provide a work environment that complies with environmental regulations and avoids environmental pollution through proper management and technical application. <p>(3) Respect the freedom of association of employees</p> <ul style="list-style-type: none"> We respect freedom of association and effectively recognize the right to collective bargaining, and establish various channels of labor-management communication and provide a grievance mechanism. <p>(4) Assist employees to maintain physical and mental health and work-life balance</p> <ul style="list-style-type: none"> We care for the physical and mental health of our employees and provide regular and irregular medical checkups for our employees. We also provide a variety of activities, such as arts and culture, sports, and unit recreational activities, to expand interpersonal interaction among employees and enrich the concept of "work-life balance" to take care of the physical and mental health of our employees. 	

Assessment Item	Implementation Status			Gaps with the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies and root causes
	Yes	No	Description	
(II) Does the company appropriately reflect the business performances or achievements in the employee remuneration policy (including salary, annual leave and other benefits)?	V	-	<p>(II) To protect the rights and interests of employees and motivate employees, relevant measures are adopted below:</p> <ol style="list-style-type: none"> (1) The Company formulates the policy of employee leaves (including leave, parental leave without pay) in accordance with the Labor Standards Act and the Act of Gender Equality in Employment. (2) The Company organizes special sales of its products from time to time, set up the measures for employees to purchase discounted products, measures for employees' wedding and funeral subsidies, etc. (3) The Company organizes employee travel and folk festival activities and provide children's education subsidies from time to time through the employee benefit committee. (4) The remuneration of employees shall be allocated according to the Articles of Incorporation, and each profit center shall issue year-end bonus based on the operation performance. (5) The Company regularly evaluates the performance of employees, and gives appropriate rewards to those with excellent performance or adjusts their salary and position. (6) In 2023, we adjusted positions or salaries with reference to work intensity, individual performance, future development and job functions. (7) The Company arranged for the Taipei Medical University Hospital to conduct health checkups for employees at the headquarter in 2023. (8) To separate the employee dormitory from the factory: The Company spends more than NT\$30 million to build the employee dormitory with four people shared one unit. 	(II) Without deviation.

Assessment Item	Implementation Status			Gaps with the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies and root causes
	Yes	No	Description	
(III) Does the company provide a healthy and safe work environment and organize health and safety training for its employees on a regular basis?	V	-	<p>(III) The Company provides a good work environment and provides education and training according to business needs to increase employee functions.</p> <p>To prevent the occurrence of occupational disasters and reduce the hazards in the factory and the risks of employees at work, the Company passed the ISO45001 audit and obtained the certificate (authorized by DNV, valid for 11-17-2021-11-17-2024, Certificate No.: 456633-2021-ASA-RGC-RvA) in 2021, and selected the intolerable risks for correlation improvement after the on-site hazard and risk assessment in the factory, and selected the projects with high risk for improvement.</p> <p>To safeguard workers engaged in some jobs that may have high risk or high incidence of diseases, the warning signs are posted on the machine in the front area to prevent personnel from touching. Employees working in the boiler area are provided with earplugs, dyeing, front finishing and shaping operators, and workers who are exposed to chemical solvents are provided with goggles, respiratory protective equipment, acid and alkali resistant gloves, acid and alkali resistant aprons and other protective equipment, and personnel education and training are provided, to instruct employees how to use, maintain and check whether the machine functions normally. In addition to labor and health insurance as required by law, the Company purchases the group accident insurance.</p> <p>To promote employee health and safety, the Company employed the physicians and therapists for occupational health to provide labor health protection, such as employee health management, occupational disease prevention and health promotion and assessed and improved four major plans (i.e. ergonomic hazard prevention, diseases caused by abnormal workload, illegal infringement in the performance of duties, maternal health protection) in 2021.</p>	(III) Without deviation.

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	Yes	No	Description																	
			<p>Considering the impact of natural disasters and man-made accidents on operations, we have been building a disaster risk management mechanism with a preventive management attitude, and has established an “emergency response management procedure” to avoid or reduce the possible loss caused by personnel injury, equipment damage and property loss, and the shutdown of operations. In addition to actively cooperating with and participating in various exercises sponsored by organizations at all levels, we regularly carry out two disaster rescue exercises every year.</p> <p>There were no fire disasters in 2023. In order to prevent fires, we conduct two fire evacuation drills and fire extinguisher operation drills in the production area and dormitories every year. The Company carefully organize fire-fighting teams, display evacuation routes, and install evacuation direction signs and emergency lighting at all entrances and exits. We also ensure that our colleagues with fire management certification receive regular training to maintain their qualifications.</p>																	
(IV) Does the company establish effective career development and training plans for its employees?	V	-	<p>(IV) The Company is dedicated to improving the professional competence of employees. In addition to designing and planning internal training courses in combination with the development needs of the Company, the Company also encourages and arranges employees to participate in training courses organized by external professional training institutions. Industry experts are invited to give special speeches from time to time to develop colleagues' professional ability.</p> <table><tr><th colspan="2">Statistics/Year</th><th>2023</th></tr><tr><td colspan="2">Average number of training hours per employee</td><td>13.69</td></tr><tr><td rowspan="2">Average number of training hours for employees by gender</td><td>Female</td><td>13.38</td></tr><tr><td>Male</td><td>14.33</td></tr><tr><td rowspan="2">Average number of training hours for employees by nationality</td><td>R.O.C.</td><td>15.48</td></tr><tr><td>Foreign Nationals</td><td>10.12</td></tr></table>	Statistics/Year		2023	Average number of training hours per employee		13.69	Average number of training hours for employees by gender	Female	13.38	Male	14.33	Average number of training hours for employees by nationality	R.O.C.	15.48	Foreign Nationals	10.12	(IV) Without deviation.
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Assessment Item	Implementation Status			Gaps with the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies and root causes
	Yes	No	Description	
(V) Does the company comply with relevant regulations and international standards regarding customer health and safety, right to privacy, marketing and labeling of its products and services and set up relevant consumer protection policies and complaint procedures?	V	-	(V) The Company's products and services have been marked in accordance with relevant laws and regulations and international standards, and the customer complaint measures are drafted to serve customers, with the consumer service hotline 0800698688 provided.	(V) Without deviation.

Assessment Item	Implementation Status			Gaps with the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies and root causes
	Yes	No	Description	
(VI) Does the company formulate and implement supplier management policies that require suppliers to follow relevant regulations on environmental protection, occupational safety and health or labor human rights?	V	-	<p>(VI) Before trading with suppliers, the suppliers are required to state that no products supplied contain hazardous substances. The products supplied by suppliers go through quality control inspection to ensure that they are not harmful to human body. The Company works with suppliers to improve corporate social responsibility.</p> <p>In accordance with Article 18 of Procedures for Ethical Management and Guidelines for Conduct, all personnel of the Company shall avoid business transactions with an agent, supplier, customer, or other counterparty in commercial interactions that is involved in unethical conduct. When the counterparty or partner in cooperation is found to have engaged in unethical conduct, the personnel shall immediately cease dealing with the counterparty and blacklist it for any further business interaction in order to effectively implement the Company's ethical management policy.</p> <p>The Company conducts annual audits on the social responsibility (including labor rights, child labor, forced labor), occupational health and safety, and environmental protection of major suppliers. If any supplier fails to pass the assessment and does not improve within the time limit, the qualification will be cancelled.</p> <p>According to the provisions of supplier management procedures, the Company regularly evaluates whether suppliers comply with relevant commitments and quality assurance, instructs suppliers with poor evaluation results, and reward suppliers with excellent evaluation results by increasing purchase or developing new business.</p> <p>The Company discussed and evaluated supplier quality, delivery time, production capacity and supply chain disruption risk in weekly operations meetings, and provided project coaching to suppliers with poor quality rating; and held a number of supplier conferences, quality exchanges and guidance in 2023.</p>	(VI) Without deviation.

Assessment Item	Implementation Status			Gaps with the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies and root causes
	Yes	No	Description	
V. following internationally recognized guidelines, prepared and published reports such as CSR reports to disclose non-financial information of the Company? Are the reports certified or assured by a third-party accreditation body?	-	V	<p>The Company released its sustainable development report in September 2023, adhering to international standards and guidelines for report preparation. The report was compiled with reference to the GRI, TCFD, and SASB guidelines, as well as the indicators specific to the apparel and footwear industry.</p> <p>The Company's environmental policies, human rights norms, corporate governance, health and safety, ethics and other policies are implemented in accordance with GRI Standards, and the HIGG INDEX, a sustainable development measurement tool promoted by SAC, is incorporated. In addition to evaluating the implementation of FEM and FSLM by ourselves, SGS is also engaged to verify the content of the self-evaluation.</p>	Whether the report is confirmed by a third party verification agency for incorporating the future planning depending on the situation.
VI. If the company has established sustainable development best-practice principles based on the "Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies," describe the implementation and any deviations from such principles: Without deviation.				
VII. Other important information to facilitate a better understanding of sustainable development practices: (I) Industry-Academy Cooperation: The Shin Kong Truth Education Foundation has sponsored a research grant of NT\$200,000 to the Department of Power Mechanical Engineering at National Tsing Hua University for the development of the Tsing Hua Racing Factory. This funding will allow them to concentrate on the key features of the seventh-generation car, TH07, for this year's Formula Student Europe competition. The main focus is on the newly developed autonomous driving system and the overall weight reduction of the vehicle, which includes the monocoque design, carbon fiber aerodynamic kit, and battery pack. (II) Implement the "zero fee" policy for foreign migrant workers: In order to avoid exploitation of migrant workers or forced labor and bonded labor, the Company has officially implemented the "Zero Fee for Migrant Worker" policy since 2020. Migrant workers recruited through the national recruitment program can join the Company with zero brokerage fee, meeting the expectations of international human rights organizations on migrant policy. The total costs amounted to NT\$2 million in 2020. In each year, more than 100 migrant workers do not have to pay domestic agency service fees, medical examination fees and residence permit fees, thus achieving the goal of income freedom.				

Assessment Item	Implementation Status			Gaps with the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies and root causes
	Yes	No	Description	
(III)			To separate the employee dormitory from the factory: The Company spends more than NT\$30 million to build the employee dormitory with four people shared one unit.	
(IV)			Gender equality The Company has long attached great importance to employee care and friendly workplace environment. By the publication date of the annual report of 2024, female employees accounted for about 62.7% of the total number of employees, and female directors above associate level accounted for 44%. The Company's internal management measures also specifically protect the rights and interests of pregnant employees, with a view to establishing a friendly, diversified and highly inclusive workplace.	
(V)			Environmental protection: 1. Improve air emission quality: Daxi plant eliminates using heavy oil boilers and switches to natural gas boilers to completely improve the air emission quality and reduce the sulfide emission to 0. 2. Reduce the temperature in the plant: Solar power panels are fully erected on the roof of Daxi plant to reduce the utilization of water chiller unit and reduce the indoor temperature in summer by about 3 degrees compared with previous years, and effectively reduced carbon emission. 3. Recycling of resources: The Company has placed recycling bins in offices and factory premises, which collect waste paper, waste iron and aluminum cans, PET bottles, lunch boxes, etc. The Company engages qualified vendors to recycle and remove the waste regularly. 4. Recycling of waste yarn from Daxi plant and waste cloth from Dayuan plant : the cloth is shredded and reused to make sound insulation materials. 5. Single sided blank paper reuse The Company has set up a second-hand paper recycling area next to the photocopier in each office to provide colleagues with single-sided blank paper used as daily manuscript paper or photocopying paper. 6. Use environmentally friendly tableware The Company encourages colleagues to bring their own environmentally friendly tableware and reduce the use of disposable tableware. 7. Water and electricity saving equipment. We have installed energy-saving nozzle type water dispensers on equipment with high steam volume in the plants to ensure stable and efficient discharge of cold water and to avoid steam leakage; we have carried out thermal insulation coating works on high temperature equipment to reduce the temperature loss of the equipment due to external temperature and to reduce the consumption of electricity to increase the temperature; we have installed digital electricity meters to analyze the data through digital electricity meters to learn about the electricity consumption of the equipment and to identify abnormal electricity consumption so that we can carry out equipment repair and maintenance as early as possible to save power consumption.	

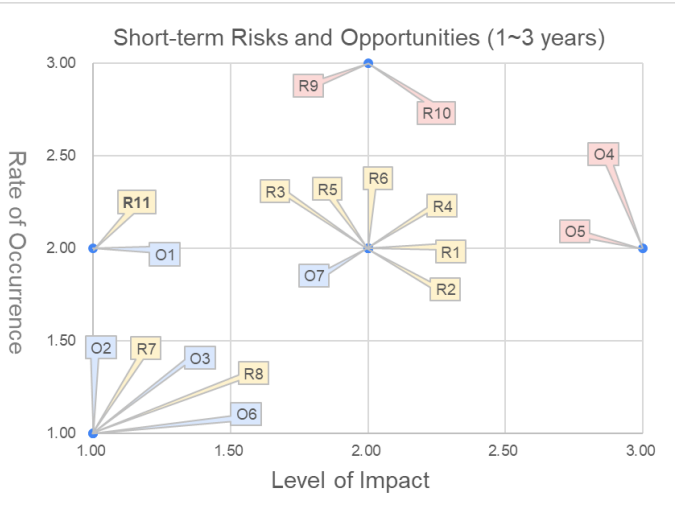
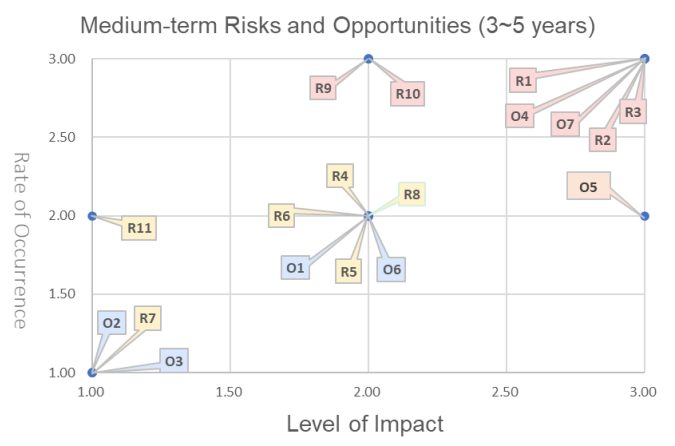
Assessment Item	Implementation Status			Gaps with the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies and root causes
	Yes	No	Description	
			<p>Replace all kinds of old lamps and lanterns with energy-saving lamps, and add solar panel street lights on factory roads; use power-saving light tubes for new cotton wrapping plant and the storage area of Daxi Plant.</p> <p>A total of 242 T8 lamps were replaced with LED type energy-saving lamps in the factory in 2023, saving 35,090KW/year with energy saving of 58.8%.</p> <p>In 2023, we purchased O-type dyeing tanks, and utilized the design of O-type tanks to reduce the amount of water used for washing and at the same time increase the dyeing efficiency of the dyeing machines. Through statistical analysis, we learned about the energy-saving benefits of the O-type tanks, and the water-saving rate reached 51.52%, and the steam-saving rate reached 11.46%.</p> <p>8. The temperature control of the chilled water return for Chiller #1~3 in the cotton wrapping plant has been adjusted from the original range of 10~12 degrees to 14~16 degrees. This adjustment reduces the operating time of the chiller during full load operation in the summer and autumn nights. After the parameter adjustment, the chiller operated for a total of 3,648 hours in the year 2023, consuming 452,352 kWh of electricity, resulting in a 28% reduction in energy consumption.</p> <p>The main operation and production time of the cotton wrapping machine was shifted from peak hours to semi-peak or off-peak hours, and the production of the cotton wrapping machine will be reduced if it does not reach full capacity. After implementing this measure, the cotton wrapping machine operated for a total of 8,520 hours in the year 2023, consuming a total of 1,252,683 kilowatt-hours of electricity. This resulted in a nearly 28% reduction in electricity consumption.</p> <p>9. International environmental protection certification. The textile products produced by the Company have obtained the Swiss environmental standard Bluesign® certification, organic content standard (OCS) certification, Responsible Wool Standard (RWS) certification and global recycling standard (GRS) certification.</p> <p>(VI) Social contribution: The Company attaches importance to the rights and interests of employees and actively creates employment opportunities. Comparing to many textile companies that set up their factories abroad, the Company is one of a few textile companies that choose to stay in Taiwan. Shin Kong Group has also set up a number of foundations to organize various charitable activities, with the purpose of fulfilling corporate social responsibility.</p> <p>(VII) Social Welfare:</p> <p>1. Major events of the Shin Kong Real Love Association 2023:</p> <p>(1) We have sponsored the [Happy Corner] with a donation of NT\$100,000. The center specializes in providing care for elderly individuals with dementia and offers a comprehensive range of services, including the development of recreational courses specifically designed for the elderly.</p> <p>(2) We participated in sponsoring the Buddhist Compassion Relief Tzu Chi Foundation, a non-profit organization in Taiwan, with a donation of NT\$ 1 million. Additionally, we sponsored the Vision Project Foundation with a donation of NT\$ 200,000, and the</p>	

Assessment Item	Implementation Status			Gaps with the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies and root causes
	Yes	No	Description	
			Taiwan RE-THINK Environmental Education Association with a donation of NT\$ 200,000. (3) We sponsored the Taiwan RE-THINK Environmental Education Association with a donation of NT\$ 200,000. We also Implemented more than 206 beach clean-up activities and environmental education courses, and accumulated 165,848 kilograms of marine waste removal. 2. We regularly donate NT\$200,000 to the Friends of Taipei Zoo Association every year, and the main activities of the Friends of Taipei Zoo Association in FY2023 were: (1) On Children's Day, the Company organized five painting activities for children, which combined education with entertainment. These activities allowed children to fulfill their dreams and learn about the lifestyle of animals. (2) [We only have one Earth, and the environment and living things are interdependent]. During the summer vacation period, eight consecutive Saturdays were set up to coincide with the Zoo's night opening activities, and educational and promotional booths were set up at the Wildlife Bazaar to spread the message of conservation. (3) To promote a peaceful society, we organized the Respect for the Elderly campaign and invited 250 elders aged 65 or above to visit the zoo. This provided more opportunities for elders to step out of their homes, breathe in the fresh air and embrace the vibrant zoo, as well as to learn about animals through guided tours and promote proper animal conservation concepts. (4) Each July, we host an annual celebration event to commemorate the birth of the giant panda cubs, Yuan-Zai and Yuan-Bao. The purpose of this event is to increase public awareness about the significance of conserving endangered species and their natural habitats- (5) Children's Excellent Science Magazine is delighted to offer free sponsorship for the publication of public service advertisements. This includes featuring the names of the sponsoring organizations in the advertisements. (VIII)Community Engagement: The Company actively participates in community activities and provides support from time to time, such as sponsoring the Mid Autumn Festival Gathering in Renshanli, Daxi Town, Taoyuan County. Iron aluminum cans and waste paper are handed over to the district office for recycling. Emergency water intake is set for people to take water freely during the dry season. (IX) Consumer rights and interests: to ensure the safety of textiles and from the standpoint of protecting consumers' rights and interests, the products supplied by the Company have been inspected by the quality control and verification organization without harm to consumers. A consumer service hotline 0800698688 is set up. (X) Human rights: to guarantee gender equality, eliminate gender discrimination specified in the Constitution and promote substantive equality of gender status, the Company equally treats all employees in the recruitment, employment, daily attendance or promotion of job seekers or employees regardless of their gender or sexual orientation. For example, the recruitment information on the job search website does not contain words that violate gender equality.	

Climate-related Information of Listed Companies

1.Implementation of Climate-related Information

Item	Implementation Status
<ol style="list-style-type: none"> 1. Provides an overview of how the Board of Directors and management supervise and manage climate-related risks and opportunities. 2. Describe how the identified climate risks and opportunities affect the business, strategy and finances of the organization (short, medium and long term). 3. Describe the financial impact of extreme climate events and transformational actions. 4. Describe how climate risk identification, assessment and management processes are integrated into the overall risk management system. 5. If scenario analysis is used to assess the resilience to climate change risk, the scenarios, parameters, assumptions, analytical factors, and key financial impacts should be described. 6. If there is a transition plan for managing climate-related risks, describe the plan and the metrics and objectives used to identify and manage physical and transition risks. 7. If internal carbon pricing is used as a planning tool, the basis for price setting should be specified. 	<p>Climate Change Management</p> <p>Due to the extreme climate caused by global warming and the increasing importance of energy and climate change issues in recent years, Shinkong Textiles has been working to mitigate the impact of climate change on the company's operations by following the Task Force on Climate-related Financial Disclosures (TCFD) since 2022. In accordance with the framework of the Task Force on Climate-related Financial Disclosures (TCFD), which is divided into governance, strategy, risk management, indicators and targets, the ESG promotion group identifies climate-related risks and opportunities, develops strategies to address them in the future, and reports to the Board of Directors at least once a year to monitor the effectiveness of the implementation.</p> <p>— Governance</p> <p>Shinkong Textile has established the Sustainable Development Promotional Team, with the Vice President serving as the convener. The promotional team holds regular annual meetings to discuss various issues, such as climate change risks that could impact the company's operations, resource efficiency, and environmental impacts associated with product life cycles. Additionally, the team submits annual reports on climate change issues and progress in implementation to the board of directors. At the same time, the Corporate Governance Officer and the Risk Management Team have been set up to minimize operational risks by taking measures to address climate change factors as part of operational risk management.</p> <p>— Strategy</p> <p>In view of the climate-related risks and opportunities affecting the Company's strategic and financial planning, Shin Kong Textile refers to the TCFD's climate-related scenario analysis, which utilizes both quantitative and qualitative climate-related scenarios in order to adopt corresponding strategies. The Company discussed the 2°C scenario (2DS) in the ESG promotion group meeting and used the tools provided by TCCIP (Taiwan Climate Change Projection Information and Adaptation Knowledge Platform) as a reference for the assessment of the physical risk scenario of climate change. The 2DS / RCP2.6 scenario was finally selected as the Company's climate change physical risk scenario, in which climate change risks and opportunities were described in terms of transition risks and physical risks. Climate risks and opportunities related to the Company's scope of operations were ultimately identified, and reference was made to the TCFD report on the textile industry: a decade was used to consider the Company's long-term operational development, which was defined as 1-3 years for the short term, 3-5 years for the medium term, and 6-10 years for the long term.</p>

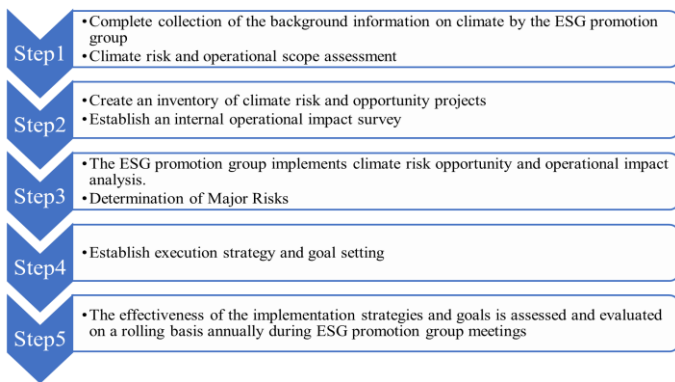
Item	Implementation Status
<p>8. If climate-related targets are set, information on the activities covered, the scope of greenhouse gas (GHG) emissions, the planning period, and the annual progress of achievement should be specified; if carbon offsets or renewable energy certificates (RECs) are used to achieve the relevant targets, the source and amount of carbon reduction credits offset or the amount of renewable energy certificates (RECs) should be described.</p> <p>9. GHG inventory and assurance status, and reduction goals, strategies and specific action plans.(As filled in at 1-1 and 1-2)</p>	<p>2023 TCFD Climate Risk and Opportunity Matrix for Shinkong Textile</p> <p>Short-term Risks and Opportunities (1~3 years)</p>  <p>Note 1: The red background color on the matrix indicates the issues to be addressed, the R indicates the risk issues, and the O represents the opportunity issues.</p> <p>Medium-term Risks and Opportunities (3~5 years)</p>  <p>Note 1: The red background color on the matrix indicates the issues to be addressed, the R indicates the risk issues, and the O represents the opportunity issues.</p>

Item	Implementation Status																																														
	<div><p>Long-term Risks and Opportunities (6~10 years)</p><p>Note 1: The red background color on the matrix indicates the issues to be addressed, the R indicates the risk issues, and the O represents the opportunity issues.</p><table><tr><th>Risk</th><th>factor</th><th>Climate Change Risks</th><th>Degree</th><th>Time frame</th></tr><tr><td rowspan="8">Transition Risk</td><td rowspan="2">Policies and Regulations</td><td>R1 Increase in greenhouse gas emission pricing</td><td>High</td><td>Medium-term, long-term</td></tr><tr><td>R2 Green energy utilization</td><td>High</td><td>Medium-term, long-term</td></tr><tr><td rowspan="2">Technology</td><td>R3 Adoption of low-carbon and energy-saving process equipment</td><td>High</td><td>Medium-term, long-term</td></tr><tr><td>R4 Costs of developing new material applications</td><td>Medium</td><td>Short-, medium-, long-term</td></tr><tr><td rowspan="2">Market</td><td>R5 Raw material inflation</td><td>Medium</td><td>Short-, medium-, long-term</td></tr><tr><td>R6 Rise in electricity costs</td><td>High</td><td>Long-term</td></tr><tr><td rowspan="2">Reputation</td><td>R7 Preferences for Green Buildings by Tenants</td><td>Medium</td><td>Long-term</td></tr><tr><td>R8 Stakeholder Concerns and Negative Feedback</td><td>High</td><td>Long-term</td></tr><tr><td rowspan="3">Physical Risk</td><td>Immediacy</td><td>R9 Increased severity of extreme weather events</td><td>High</td><td>Short-, medium-, long-term</td></tr><tr><td rowspan="2">Long-term</td><td>R10 Changes in rainfall (Water) patterns and extreme changes in climate patterns</td><td>High</td><td>Short-, medium-, long-term</td></tr><tr><td>R11 Average Temperature Increase</td><td>Low</td><td>Short-, medium-, long-term</td></tr></table></div>	Risk	factor	Climate Change Risks	Degree	Time frame	Transition Risk	Policies and Regulations	R1 Increase in greenhouse gas emission pricing	High	Medium-term, long-term	R2 Green energy utilization	High	Medium-term, long-term	Technology	R3 Adoption of low-carbon and energy-saving process equipment	High	Medium-term, long-term	R4 Costs of developing new material applications	Medium	Short-, medium-, long-term	Market	R5 Raw material inflation	Medium	Short-, medium-, long-term	R6 Rise in electricity costs	High	Long-term	Reputation	R7 Preferences for Green Buildings by Tenants	Medium	Long-term	R8 Stakeholder Concerns and Negative Feedback	High	Long-term	Physical Risk	Immediacy	R9 Increased severity of extreme weather events	High	Short-, medium-, long-term	Long-term	R10 Changes in rainfall (Water) patterns and extreme changes in climate patterns	High	Short-, medium-, long-term	R11 Average Temperature Increase	Low	Short-, medium-, long-term
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Item	Implementation Status
	<p>2. Technology Risk (Risk of adopting low-carbon energy saving equipment): In 2023, the Company purchased O-type dyeing tanks and dyeing machines, and utilized the design of O-type tanks to reduce the amount of water used for washing and at the same time increase the dyeing efficiency of the dyeing machines. Through statistical analysis, we learned about the energy-saving benefits of the O-type tanks, and the water-saving rate reached 51.52%, and the steam-saving rate reached 11.46%. By replacing energy-saving lighting equipment in some areas of the Daxi Plant, the energy-saving rate reached 58.8% and by observing the statistical data, a total of 35,090KG of annual carbon emissions has been saved. In addition, the Company continues to recover condensed cooling water and reuse the overflow water from the water storage tanks in the dyeing area of the plant to achieve resource reuse. We will also prioritize water- and energy-saving equipment when updating equipment in the future.</p> <p>3. Market Risk (Increase in electricity costs): The introduction of smart meters for equipment energy consumption management allows us to grasp information about the equipment's power usage and formulate a more accurate power consumption strategy.</p> <p>4. Reputation risk (stakeholder concerns and negative feedback): The Company is working towards green textiles by promoting water- and energy-saving equipment in the manufacturing process, reducing energy consumption in the production process, and striving to develop production technologies toward water-reducing processing methods in order to establish environmentally friendly production lines.</p> <p>II. Physical Risks: Two significant risks have been identified, one is an immediate climate risk and the other is a long-term climate risk. As a result of the rise in extreme weather events, the occurrence of typhoons and heavy rain has increased, leading to asset damage and supply chain disruptions. In light of this, the Company has implemented measures to diversify our supplier base and establish emergency response protocols for typhoons and heavy rain, aiming to mitigate both immediate and long-term climate risks.</p> <p>III. Resource Efficiency Opportunities, identifying one significant opportunity for the adoption of more power efficient manufacturing equipment: In addition to the introduction of smart meters for equipment energy consumption management, we can grasp information on the power consumption of the equipment and formulate more accurate power consumption strategies, and in the future, we will prioritize production equipment with higher power usage efficiency when replacing equipment.</p> <p>IV. Products/Services, identified 2 major opportunities to develop or increase low-carbon goods and services and to develop R&D and innovation of new products and services: Implementation of the ISP Zero Waste Recycling Program and the launch of the ISP's "Sustainable Uniforms" project, which utilizes recycled PET bottles for the production of functional fabrics, along with eco-friendly accessories such as sewing threads, buttons, zippers, tags, webbing, collars, etc., and 100% polyester packaging materials. The entire uniform is eco-friendly, comfortable, durable, moisture-absorbent,</p>

Item	Implementation Status
	<p>quick-drying and UV-resistant, and is also 100% recyclable. In addition to complete recycling to reduce global pollution, polyester yarn is twice as strong as cotton and has 10 times the elongation of cotton. By recycling polyester clothes, they can be reproduced and remanufactured into high-functioning garments, so that old clothes are no longer just buried or incinerated. We will also continue to explore the possibilities of new green materials and technology development, and seek R&D cooperation with branded R&D units to create new green business opportunities.</p> <p>V. Resilience, To identify a major opportunity to participate in renewable energy projects and adopt energy-saving measures: For renewable energy projects, the Company pays immediate attention to the new laws and regulations and the development of renewable energy. We review the current situation of the company in terms of compliance with the law and the direction of development, and then propose various measures to meet the law and the use of renewable energy. To comply with the relevant laws and regulations on environment and energy and further reduce the environmental load, the Company proactively adopts relevant energy-saving, water-saving and waste reduction measures, replaces the general air compressor with variable frequency air compressor, establishes a dyeing overflow water reuse system and promotes the "No Waste, Total Recycle" plan for the complete recycling of polyester cloth, so as to effectively increase the sustainability of petrochemical raw materials and reduce the pollution of the earth and ocean caused by petrochemical wastes.</p> <p>A total of 242 T8 lamps were replaced with LED type energy-saving lamps in the factory in 2023, saving 35,090KW/year with energy saving of 58.8%.</p> <p>In 2023, we purchased O-type dyeing tanks, and utilized the design of O-type tanks to reduce the amount of water used for washing and at the same time increase the dyeing efficiency of the dyeing machines. Through statistical analysis, we learned about the energy-saving benefits of the O-type tanks, and the water-saving rate reached 51.52%, and the steam-saving rate reached 11.46%.</p> <p>The temperature control of the chilled water return for Chiller #1~3 in the cotton wrapping plant has been adjusted from the original range of 10~12 degrees to 14~16 degrees. This adjustment reduces the operating time of the chiller during full load operation in the summer and autumn nights. After the parameter adjustment, the chiller operated for a total of 3,648 hours in the year 2023, consuming 452,352 kWh of electricity, resulting in a 28% reduction in energy consumption.</p> <p>The main operation and production time of the cotton wrapping machine was shifted from peak hours to semi-peak or off-peak hours, and the production of the cotton wrapping machine will be reduced if it does not reach full capacity. After implementing this measure, the cotton wrapping machine operated for a total of 8,520 hours in the year 2023, consuming a total of 1,252,683 kilowatt-hours of electricity. This resulted in a nearly 28% reduction in electricity consumption.</p>

Item	Implementation Status
	<p style="text-align: center;">TCFD Risk Management Process</p>  <p>Note: This flowchart illustrates the Company's process for tracking and monitoring climate change risks. It involves collecting data and determining risk levels based on a risk matrix. The ESG promotion group conducts comprehensive analysis and evaluation, establishes strategies and objectives, and reviews performance on a rolling basis each year.</p> <p>— Metrics and Targets</p> <p>Shin Kong Textile further sets goals based on the indicator projects developed by TCFD climate risks and opportunities:</p> <ol style="list-style-type: none"> 1. The quantitative target of energy saving and carbon reduction management is: with FY2018 as the base year, to reduce the carbon intensity by 15% in 2025. 2. The quantitative target of water conservation management is: with FY2020 as the base year, to reduce water consumption by 20%. 3. Developing new products with more than 90% recycled materials 4. Our goal is to achieve net zero carbon emissions by the year 2050.

1-1 Recent Two-Year Company Greenhouse Gas Inventory and Assurance Status

1-1-1 GHG Inventory Information

Outline the greenhouse gas emissions for the most recent two years (metric tons CO₂e), intensity (metric tons CO₂e per million dollars), and the scope of data coverage.

According to regulations, the company is required to disclose individual company inventory information starting from the year 2025 and complete inventory information disclosure for all parent and subsidiary companies in consolidated financial statements starting from the year 2026. However, since the specified timeline has not commenced yet, the company has not arranged for inventory verification.

1-1-2 GHG Assurance Information

Outline the verification status for the most recent two years up to the date of the annual report printing, including the scope of assurance, assurance provider, assurance standards, and assurance opinion.

According to regulations, the company is required to complete individual company assurance starting from 2027, and assurance for all parent and subsidiary companies in consolidated financial statements starting from 2028. However, as the specified timeline has not yet commenced, the company has not arranged for assurance or verification.

1-2 GHG Reduction Targets, Strategies, and Specific Action Plans

Outline the baseline year and its data for greenhouse gas reduction, reduction targets, strategies, specific action plans, and the achievement status of the reduction targets.

According to regulations, the company is required to complete disclosure starting from 2026. However, as the specified timeline has not yet commenced, the company has not arranged for assurance or verification.

(VI) Ethical management implementation status and deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX-Listed Companies and reasons

Evaluation Item	Implementation Status			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and Reason
	Yes	No	Description	
I. Establishment of ethical management policies and schemes				
(I) Does the company establish the ethical corporate management policies approved by the Board of Directors and declare its ethical corporate management policies and procedures in its guidelines and external documents, as well as the commitment from its Board and senior executives to implement the policies?	V	-	(I) Based on the corporate spirit of "challenging the status quo will make you progress, while R&D is the only way to do so", the Company upholds the values of sincerity, pragmatism, innovation and change, and establishes a corporate culture of integrity management for sustainable development. The "Ethical Corporate Management Best Practice Principles" is adopted by the board, and "Procedures for Ethical Management and Guidelines for Conduct" specifies the employee's conduct in business. The Company's employees and directors have signed the "Statement on Compliance with the Ethical Corporate Management Policy".	(I) Without deviation.
(II) Does the company establish a risk assessment mechanism against unethical conduct, analyze and assess on a regular basis business activities within its business scope which are at a higher risk of being involved in unethical conduct, and establish prevention programs accordingly, which shall at least include those specified in Paragraph 2, Article 7 of the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies"?	V	-	(II) The Ethical Corporate Management Best Practice Principles specifies the following codes of conduct: 1. Offering and acceptance of bribes. 2. Offering Illegal political donations. 3. Improper charitable donations or sponsorship. 4. Offering or acceptance of unreasonable presents or hospitality, or other improper benefits. 5. Misappropriation of trade secrets and infringement of trademark rights, patent rights, copyrights, and other intellectual property rights. 6. Engaging in unfair competitive practices. 7. Damage directly or indirectly caused to the rights or interests, health, or safety of consumers or other stakeholders in the course of research and development, procurement, manufacture, provision, or sale of products and services.	(II) Without deviation.

Evaluation Item	Implementation Status			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies and Reason
	Yes	No	Description	
(III) Does the company specify in its prevention programs the operating procedures, guidelines, punishments for violations, and a grievance system and implement them and review the prevention programs on a regular basis?	V	-	(III) The Company's "Procedures for Ethical Management and Guidelines for Conduct" specifies that the integrity business is included into employee performance assessment, with clarified punishment/reward and compliant system.	(III) Without deviation.
II. Implementation of ethical management				
(I) Does the company evaluate business partners' ethical records and include ethics-related clauses in the business contracts signed with the counterpart?	V	-	(I) Prior to any commercial transactions, the Corporation shall take into consideration the legality of their agents, suppliers, clients, or other trading counterpart and whether any of them are involved in unethical conduct, and shall avoid any dealings with persons so involved. When entering into contracts with others, the Company shall include in such contracts terms requiring compliance with ethical corporate management policy and that in the event the trading counterparts are involved in unethical conducts, the Company may terminate or rescind the contracts at any time.	(I) Without deviation.
(II) Does the company establish an exclusively dedicated unit supervised by the Board of Directors to be in charge of ethical corporate management and report to the Board of Directors the implementation of ethical corporate management policies and prevention programs on a regular basis (at least once a year)?	V	-	(II) (1) Appointed by the board of directors, the Company has established a dedicated division to promote corporate social responsibility (ESG promotion group) since November 2020, which is responsible for promoting the Company's ethical management, sustainable development, law compliance and corporate governance 3.0 business. To improve the management of integrity operation, the management department is responsible for the formulation of ethical management policies and prevention plans, assisting the board of directors and management in formulating and supervising the management plan of ethical management according to the work responsibilities and work scope of each department, and ensuring the implementation of Ethical Corporate Management Best Practice Principles. The implementation status is reported to the Board annually.	(II) Without deviation.

Evaluation Item	Implementation Status			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies and Reason
	Yes	No	Description	
			<p>The report on the implementation and execution of the ethical management for FY2023 was presented at the meeting of the 24th Board of Directors on December 18.</p> <p>(2) The integrity management policy was implemented in 2023, and summarized as below:</p> <p>(A) Formulate related integrity operation regulations and rules, including the Ethical Corporate Management Best Practice Principles, Procedures for Ethical Management and Guidelines for Conduct, Code of Ethical Conduct and Administrative Measures to Prevent Insider Trading. Specify relevant procedures to prevent insider trading and corruption.</p> <p>(B) Implement the integrity operation:</p> <ul style="list-style-type: none"> Strengthen supplier management: The supplier shall sign the letter of commitment of integrity; the suppliers of dyeing auxiliaries have signed a cooperation consent and promised not to violate the relevant provisions of prohibited / restricted substances in any environmental protection laws and regulations in the production, manufacturing, packaging, storage and transportation of products. Education & training: Orientation for new recruits: During the orientation for new recruits, expected conducts and conducts in compliance with ethics are explained. Employees are to sign the "Statement on Compliance with the Ethical Corporate Management Policy". From the fourth quarter of 2022 to the third quarter of 2023, 119 new people signed up, and the signing ratio was 100%. 	

Evaluation Item	Implementation Status			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies and Reason
	Yes	No	Description	
			<p>Staff-on-active-duty training: We regularly conduct integrity management seminars and ensure that the content is disseminated to the entire company through letters and postings on the internal bulletin board. Additionally, all employees are required to sign the "Statement on Compliance with the Ethical Corporate Management Policy" with a 100% signing rate among the employee. On August 17, 2023, we invited Ms. Hui-Ling Wang from Lotus International Law Office to give a 2-hour seminar on "Trademark Management from the Perspective of Trademark Disputes," which was attended by 28 senior executives of the company and employees from various brand-related businesses. (Including the Corporate Governance Officer)</p> <ul style="list-style-type: none"> • Irregular meeting publicity: Continuously promote the Company's relevant ethical management policies and explain the importance of ethical management in business management, departmental meetings, production and marketing meetings, etc. • A whistleblowing system: Both internal employees and external personnel are encouraged to report dishonesty or misconduct behavior through the report mailbox and report channel for stakeholders on the intranet, with the whistleblowing and appeal measures drafted. No whistleblowing reports in 2023, either internally or externally. • Strengthen information disclosure: disclose information related to integrity operation in the annual report and the company's website. 	

Evaluation Item	Implementation Status			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies and Reason
	Yes	No	Description	
			<ul style="list-style-type: none"> Regular audit: to assist the board of directors and the management in the audit and evaluation, so as to implement the effective operation of the preventive measures established for ethical management, the audit office makes a report on the evaluation and compliance of relevant processes from time to time, reviews and improves the processes such as high-risk business activities from time to time, and reports to the management to ensure the continuous effectiveness of regulation design and implementation. <p>(3) Continuously strengthen staff education and training and supplier evaluation management in 2023.</p>	
(III) Does the company establish policies to prevent conflicts of interest, provide appropriate communication channels, and implement them accordingly?	V	-	<p>(III) The Company has established the Administrative Measures to Prevent Insider Trading, formerly the Procedures for Handling Internal Major Information and applied them to identify, supervise and manage risks of unethical conducts due to conflicts of interest. Appropriate channels are provided to Directors, Supervisors, managerial officers or other stakeholders who attend or be present at the Board meetings to voluntarily explain whether their interests would potentially be conflicted with those of the Company. When a director, supervisor, managerial officer or other stakeholder of the Company attending or present at a board meeting, or the juristic person represented thereby, has a stake in a matter under discussion in the meeting, that director, supervisor, officer or stakeholder shall state the important aspects of the stake in the meeting and, where there is a likelihood that the interests of the Company would be prejudiced, may not participate in the discussion or vote on that proposal, shall recuse himself or herself from any discussion and voting, and may not exercise voting rights as proxy on behalf of another director. The directors shall exercise discipline among themselves, and may not support each other in an inappropriate manner.</p>	(III) Without deviation.

Evaluation Item	Implementation Status			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and Reason
	Yes	No	Description	
			<p>The Corporation's personnel shall not take advantage of their positions and influence in the Corporation to obtain improper benefits for themselves, their spouses, parents, children, or any other person.</p> <p>The Company educate the directors, managers and employees on this procedures and related laws and regulations at least once a year.</p>	
(IV) Does the company establish effective accounting systems and internal control systems to implement ethical corporate management, with the internal audit unit being responsible for devising relevant audit plans based on the results of assessment of any unethical conduct risk, examining accordingly the compliance with the prevention programs, or engaging a certified public accountant to carry out the audit?	V	-	(IV) The Company establishes an effective accounting system and internal control system. The Company's Audit Office shall examine accordingly the compliance with the prevention programs and prepare the audit report to the board. It may engage a certified public accountant to carry out the audit, and may engage professionals to assist if necessary.	(IV) Without deviation.
(V) Does the company regularly hold internal and external training on ethical corporate management?	V	-	(V) The Corporation shall periodically organize training and awareness programs for its personnel and invite the Corporation's commercial transaction counterparties so they understand the Corporation's resolve to implement ethical corporate management, the related policies, prevention programs and the consequences of committing unethical conduct. The relevant norms of ethical management have been included as one of the orientation training items for new employees.	(V) Without deviation.

Evaluation Item	Implementation Status			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies and Reason
	Yes	No	Description	
			<p>Hold lectures on ethical management, send the ethical management information to the whole company by mails and release it on the company's internal bulletin board. Employees are to sign the "Statement on Compliance with the Ethical Corporate Management Policy". The signing ratio in employees were 100%.</p> <p>On August 17, 2023, we invited Lawyer Hui-Ling Wang from Lotus International Law Office to give a 2-hour seminar on "Trademark Management from the Perspective of Trademark Disputes," which was attended by 28 senior executives of the company and employees from various brand-related businesses. (Including the Corporate Governance Officer)</p> <p>In 2023, internal and external education and training related to ethical management were held (including courses related to ethical management policy, business secret publicity, human rights policy, forced labor, anti-bribery and internal control, etc.), with about 756 participants, totaling about 912 hours.</p>	
III. Implementation of whistleblowing system				
(I) Does the company establish both a reward/whistle-blowing system and convenient whistle-blowing channels? Are appropriate personnel assigned to the accused party?	V	-	(I) The Company has a specific reporting system to encourage colleagues to report any violations of ethical management regulations.	(I) Without deviation.
(II) Does the company establish the standard operating procedures for investigating reported misconduct, follow-up measures to be taken after the investigation, and related confidentiality mechanisms?	V	-	(II) An independent whistle-blowing mailbox is set up, which will be processed by HR department. If the reported case involves directors or senior executives, it shall be reported to the independent directors or supervisors, and the categories of whistleblowing matters and their investigation standard operating procedures have been formulated. Documentation of case acceptance, investigation processes, investigation results, and relevant documents.	(II) Without deviation.

Evaluation Item	Implementation Status			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies and Reason
	Yes	No	Description	
(III) Does the company provide protection for whistle-blowers against receiving improper treatment?	V	-	(III) The Company will keep the identity of the informant and reported case confidential, take measures to protect the informant from improper treatment due to whistleblowing, and formulate incentive measures for the informant.	(III) Without deviation.
IV. Enhanced disclosure of ethical corporate management information Does the company disclose the ethical corporate management policies and the results of its implementation on the company website and MOPS?	V	-	The Ethical Corporate Management Best Practice Principles and Procedures for Ethical Management and Guidelines for Conduct are disclosed by the Company along with the ethical management status and implemented measures.	Without deviation.
V. Where the Corporation has stipulated its own best practices on ethical corporate management according to the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies, please describe any gaps between the prescribed best practices and the actual measures taken by the Corporation: Operated by the Principles, no material gap is found: No difference was found.				
VI. Is there any other important information to facilitate a better understanding of the company's ethical corporate management practices? None.				

(VII) Please access to the Company's corporate governance principles and relevant rules and regulations:

1. To guide the conduct of directors, supervisors, managerial officers and other employees of the Company to comply with ethical standards, the "code of ethical conduct" is hereby formulated to enable interested parties of the Company to better understand the Company's ethical standards of conduct.
2. To foster a corporate culture of ethical management and sustainable development, the "Ethical Corporate Management Best Practice Principles" have been drafted. To implement the ethical management policy and actively prevent dishonest behavior, we engage in business activities based on the principles of fairness, honesty, trustworthiness and transparency. The Procedures for Ethical Management and Guideline for Conduct is formulated according to the Ethical Corporate Management Best Practice Principles and local regulations where the Company, Group enterprises and organizations are located.

3. The Company formulates the Corporate Social Responsibility Best Practice to implement its CSR, promote economic, environmental and social progress and achieve the sustainable development goal.
4. To establish a good internal major information processing and disclosure mechanism, avoid improper disclosure of information, and ensure the consistency and correctness of the information published externally by the Company. The "Administrative Measures to Prevent Insider Trading" have been formulated.
5. To establish a good corporate governance system and promote the sound development of the securities market, the company's corporate governance code is hereby formulated with reference to the relevant provisions of the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.
6. Related regulations are disclosed on the Company's website:<http://www.sktextile.com.tw>

(VIII) Other Important Information to Facilitate Better Understanding of the Company's Corporate Governance

Continuing education of managerial officers and their deputies

Title	Name	Date	Host	Class	Duration
Corporate Governance Officer (Executive Vice President)	Shu-Ti Chang	2023/03/27	Chinese National Association of Industry and Commerce	Seminar for Company Directors and Supervisors - "Corporate Resilience - Taiwan's Competitiveness"	3 hours
		2023/08/17	Shin Kong Textile	Trademark Management from the Perspective of Trademark Disputes	2 hours
		2023/09/14	Taiwan Investor Relations Institute (TIRI)	Taiwanese Corporate Mergers and Acquisitions Practice	3 hours
		2023/10/20	Coporate Operating and Sustainable Development Association	Labor Law Practices	3 hours
		2023/11/09	Taiwan Academy of Banking and Finance	Judgments and Analysis on Corporate Governance Key Practice	3 hours
Accounting Supervisor (Vice President)	Su-Chuan Ko	2023/06/15-2023/06/16	Accounting Research and Development Foundation in Taiwan	Continuing Education and Training for Chief Accounting Officers of Issuers, Securities Firms and Securities Exchange	12 hours
		2023/12/27	Accounting Research and Development Foundation in Taiwan	A Practical Analysis of the Impact of the Latest Sustainable Development Action Plan and Net Zero Carbon Emission on Financial Reporting	6 hours
Accounting Supervisor Deputy (Manager)	Hsiang-Ju Chen	2023/09/25-2023/09/26	Accounting Research and Development Foundation in Taiwan	Continuing Education and Training for Chief Accounting Officers of Issuers, Securities Firms and Securities Exchange	12 hours
Audit Officer (Manager)	Ming Hsien Fang	2023/08/12	The Institute of Internal Auditors-Chinese Taiwan	Core Knowledge and Skills for Internal Audit Personnel: Business Knowledge in Internal Auditing	6 hours
		2023/08/19	The Institute of Internal Auditors-Chinese Taiwan	Core Knowledge and Skills for Internal Audit Personnel: Business Knowledge in Internal Auditing	6 hours
		2023/08/26	The Institute of Internal Auditors-Chinese Taiwan	Core Knowledge and Skills for Internal Audit Personnel: Business Knowledge in Internal Auditing	6 hours

Title	Name	Date	Host	Class	Duration
		2023/09/02	The Institute of Internal Auditors-Chinese Taiwan	Core Knowledge and Skills for Internal Audit Personnel: Business Knowledge in Internal Auditing	6 hours
		2023/09/13	The Institute of Internal Auditors-Chinese Taiwan	Core Knowledge and Skills for Internal Audit Personnel: The Nature of Internal Auditing	6 hours
		2023/09/20	The Institute of Internal Auditors-Chinese Taiwan	Core Knowledge and Skills for Internal Audit Personnel: The Nature of Internal Auditing	6 hours
		2023/10/04	The Institute of Internal Auditors-Chinese Taiwan	Core Knowledge and Skills for Internal Audit Personnel: The Nature of Internal Auditing	6 hours
Deputy of audit officer	Ya-Li Huang	2023/12/04	The Institute of Internal Auditors-Chinese Taiwan	Prevention and Treatment of Sexual Harassment and Unlawful Infringement (Bullying) in the Workplace	6 hours
		2023/12/12	The Institute of Internal Auditors-Chinese Taiwan	Judgment of Financial Analysis Indicators and Prevention of Operational Risks	6 hours

(IX) Status of Internal Control System

1. Statement of Internal Control

Shinkong Textile Co., Ltd.
Statement of Internal Control System

Date: March 8, 2024

Based on the findings of a self-assessment, Shinkong Textile Co., Ltd. (the Company) states the following with regard to its internal control system during the year 2023:

- I. The Company's Board of Directors and management are responsible for establishing, implementing, and maintaining an adequate internal control system. Our internal control is a process designed to provide reasonable assurance over the effectiveness and efficiency of our operations (including profitability, performance, and safeguarding of assets); reliability, timeliness and transparency of our financial reporting; and compliance with applicable laws and regulations.
- II. An internal control system has inherent limitations. No matter how perfectly designed, an effective internal control system can provide only reasonable assurance of accomplishing the three objectives mentioned above. Moreover, the effectiveness of an internal control system may be subject to changes of environment or circumstances. Nevertheless, our internal control system contains self-monitoring mechanisms, and Shinkong Textile takes immediate remedial actions in response to any deficiencies identified.
- III. The Company evaluates the design and operating effectiveness of its internal control system based on the criteria provided in the Regulations Governing the Establishment of Internal Control Systems by Public Companies (herein below, the "Regulations"). The criteria adopted by the Regulations identify five key components of internal control based on the process of management: 1. control environment, 2. risk assessment, 3. control activities, 4. information and communication, and 5. monitoring. Each component further contains several items. Please refer to the Regulations for details.
- IV. The Company has assessed the design and operating effectiveness of its internal control system according to the aforesaid criteria.
- V. Based on the findings of the evaluation mentioned in the preceding paragraph, the Company believes that, as of December 31, 2023, its internal control system (including its supervision of subsidiaries), as well as its internal controls to monitor the achievement of its objectives concerning operational effectiveness and efficiency; reliability, timeliness and transparency of financial reporting; and compliance with applicable laws and regulations, were effective in design and operation, and reasonably assured the achievement of the above-mentioned objectives.
- VI. This Statement will be an essential content of the Company's Annual Report and Prospectus, and will be publicly disclosed. Any falsehood, concealment, or other illegality in the content made public will entail legal liabilities under Articles 20, 32, 171, and 174 of the Securities and Exchanged Act.
- VII. This Statement has been approved in the Board of Directors' meeting on March 8, 2024, with 0 of the 7 attending Directors expressing objectives, and the remainder all affirming the content of this Statement.

Shinkong Textile Co., Ltd.

Chairman: Hsing-En Wu

President: Chin-Fa Chiu Jui-Nan Chang

2. If a CPA has been hired to carry out a special audit of the internal control system, the CPA audit report shall be disclosed: None.

(X) Penalties Imposed upon the Company and its Employees in accordance with the law, Penalties Imposed by the Company upon its Employees for the Violation of the Internal Control System Policy, Principal Deficiencies, and Improvement Status during the most recent Fiscal Year up to the Publication Date of the Annual Report: None.

(XI) Major resolutions of the Shareholders' Meetings and Board of Directors' meetings in the most recent fiscal year and as of the date of this annual report

1. Shareholders' meeting

Date of Meeting	Major Resolutions	Implementation Status
2023/05/26	1. General Election of Directors	Following the meeting, the registration change was processed and approved by the Ministry of Economic Affairs on June 12, 2023.
	2. Adopt the 2022 Business Report and Financial Statements	
	3. Adopt the proposal on the distribution of surplus for 2022	The record date was set to be September 1, 2023. Distribution was completed by September 22, 2023 pursuant to the resolution of the shareholders' meeting. (Each share was entitled to cash dividend of NT\$1.5 and the total cash dividends to shareholders amounted to NT\$450,061,920.)
	4. Approve the amendments to the Company's Articles of Incorporation.	The amended Articles of Incorporation has been disclosed at the Company's website and the registration was completed on June 12, 2023 per approval from the Ministry of Economic Affairs.
	5. Adopt the proposal on amending the Procedures for the Acquisition or Disposal of Assets of the Company.	Uploaded to the website of the Market Observation Post System according to relevant regulations.
	6. Pass the lifting of newly elected Directors from the non-compete restrictions resolution	Issuing Important Notices in Compliance with Regulations

2. Board of Directors

Date of Meeting	Term	Major Resolutions
2023/03/09	21st meeting of the 23rd board	<ol style="list-style-type: none"> 1. Review the proposal on the Company's 2022 remuneration distribution plan for directors and employees. 2. Review the 2022 business report and financial statements. 3. Review the proposal for evaluating independence and competence of Certified Public Accountants 4. Review the Company's Request for Bank Financing Limit 5. Review the proposal for the Company's 2022 Statement on Internal Control System. 6. To review the performance assessment and remuneration system, standard, structure and plan of the Company's Directors and managerial officers and the principles for the distribution of 2022 year-end bonuses. 7. Reviewed the general election of Directors 8. Review and revise the "Operating procedures for loaning funds to others" 9. Review and revise the Company's internal control system and its appendices 10. Review and revise the Company's internal audit implementation plan 11. Review matters pertaining to the 2023 annual shareholder's meeting
2023/04/07	22nd meeting of the 23rd board	<ol style="list-style-type: none"> 1. Review the 2022 earnings distribution plan 2. Review the 2022 plan of earnings distribution in cash dividends. 3. Deliberation of the Company's pre-approval audit method for the provision of non-assurance services provided by the certified public accountants as well as the non-assurance services expected to be provided by Deloitte Taiwan in 2023. 4. Review the proposal on the amendments to the Company's Articles of Incorporation. 5. Review the Nomination of Directors and Candidates for Independent Directors 6. Reviewed the Independent Director candidates nominated by shareholders 7. Review the lifting of newly elected Directors from the non-compete restrictions resolution 8. Reviewed additional matters pertaining to the 2023 annual shareholder's meeting
2023/05/08	23rd meeting of the 23rd board	<ol style="list-style-type: none"> 1. Review the consolidated financial report of the Company for Q1 2023 2. Rejection of the Amendment to the Operating Procedures for Lending Funds to Others by the subsidiary Shin Kong Asset Management Co., Ltd.

Date of Meeting	Term	Major Resolutions
2023/06/06	1st meeting of the 24th board	<ol style="list-style-type: none"> 1. Election of Chairman among Directors. 2. Election of Vice Chairman among Directors. 3. Review the appointment of members of the Remuneration Committee 4. Reject the endorsement and guarantee of NT\$1.8 billion provided by a subsidiary, Shinkong Asset Management Co., LTD. 5. Review the proposal to increase the amount of financing by NT\$450 million to the Bank of Taiwan 6. Authorized the Chairman to renew the original loans and to negotiate with financial institutions on credit facilities during the term of office.
2023/08/14	2nd meeting of the 24th board	<ol style="list-style-type: none"> 1. Review the consolidated financial report of the Company for Q2 2023 2. Discussed the remuneration to Independent Directors 3. Review the proposal on the Company's 2022 remuneration distribution plan for directors and employees
2023/09/28	3rd meeting of the 24th board	<ol style="list-style-type: none"> 1. Reject the proposal for transfer of the business division of the subsidiary, Shin Kong Asset Management Co., Ltd., also known as the Real Estate Development Department Division 1 and 2.
2023/10/11	4th meeting of the 24th board	<ol style="list-style-type: none"> 1. Review the proposal to expand overseas manufacturing facilities and rename the marketing department of the Company 2. Review the Company's plan to hire a President for the Taiwan factory and establish a remuneration package.
2023/11/13	5th meeting of the 24th board	<ol style="list-style-type: none"> 1. Review the consolidated financial report of the Company for Q3 of 2022 2. Review the Company's proposed investment of US\$10 million in Cottonwood-WTT Real Estate Special Situations Fund 3. Review the Company's 2024 annual audit plan 4. Review and establish the organizational regulations for the Sustainable Development Committee of the Company 5. Review and revise the organizational structure of the Company
2023/12/18	6th meeting of the 24th board	<ol style="list-style-type: none"> 1. Review the 2024 budget 2. Review the guarantee for the Company's investee, Shang De Motor Co., Ltd., within the amount of NT\$ 50 million. 3. Appointment of Members to the Sustainable Development Committee 4. Rejection of the Amendment to the Operating Procedures for Lending Funds to Others by the subsidiary Shin Kong Asset Management Co., Ltd.

- (XII) Any Dissenting Opinion Expressed by a Director or Supervisor with Respect to a Major Resolution Passed by the Board of Directors during the most recent Fiscal Year and up to the Publication Date of the Annual Report, where Said Dissenting Opinion Had Been Recorded or Prepared as a Written Declaration: None
- (XIII) A Summary of Resignations and Dismissals of the Chairman, President, Accounting Manager, Financial Manager, Chief Internal Auditor, Corporate Governance Officer and Research and Development Officer during the Most Recent Fiscal Year and during the Current Fiscal Year Up to the Date of Publication of the Annual Report: None

V. Audit Fees for CPA

Unit: NT\$1,000

Accounting Firm	Name of CPA	Audit Period	Audit Fee	Non-audit Fee (Note)	Total	Note
Deloitte & Touche	Li-Huang Li	2023/01/01	2,600	769	3,369	(Note)
	Jui-Chuan Chih	- 2023/12/31				

(Note) The other non-audit fees are tax service fees and annual service fees for foreign companies and 2021 transfer pricing report service fees.

- (I) When the Company changes its accounting firm and the audit fees paid for the fiscal year in which such change took place are lower than those for the previous fiscal year, the amounts of the audit fees before and after the change and the reasons shall be disclosed: None.
- (II) When audit fees are 10% less than the previous year, the reduction in audit fee, ratio, and reason thereof shall be disclosed: None.

VI. Information on Replacement of CPA: None.

VII. Any of the Company's Chairman, President, or Managerial Officers in Charge of Finance or Accounting Held a Position in the Independent Auditors' Firm or Its Affiliates in the Most Recent Year: None.

VIII. Any Transfer of Equity Interests and/or Pledge of or Change in Equity Interests by a Director, Supervisor, Managerial Officer, or Shareholder with a Stake of More than 10% During the Most Recent Fiscal Year up to the Publication Date of the Annual Report

(I) Changes in equity interest by directors, managerial offices, and major shareholders

Title	Name	2023		For the Current Fiscal Year as of March 30	
		Number of Shares Held Increase (Decrease)	Number of Shares pledged Increase (Decrease)	Number of Shares Held Increase (Decrease)	Number of Shares pledged Increase (Decrease)
Chairman Director	Chichen Co., Ltd.	0	0	0	0
	Representative: Hsing-En Wu	0	0	0	0
	Representative: Chin-Fa Chiu	0	0	0	0
Director	Haung En Co., Ltd.	0	0	0	0
	Representative: Hsin-Hung Wu	0	0	0	0
Director	Shin Kong Wu Tung Ching Foundation	0	0	0	0
	Representative: Po-Han Lin	0	0	0	0
Independent Director	David Ching	0	0	0	0
Independent Director	Mao-Jung Wang	0	0	0	0
Independent Director	Wei-Kan, Chen	0	0	0	0
President	Chin-Fa Chiu	0	0	0	0
President	Jui-Nan Chang	0	0	0	0
Executive Vice President	Shu-Ti Chang	0	0	0	0
Vice President	Su-Chuan Ko	0	0	0	0
Assistant Vice President	Yung-Hsin Huang	0	0	0	0
Assistant Vice President	Chu-Ying Chen	0	0	0	0
Assistant Vice President	Jen-Tsung Wang	0	0	0	0
Assistant Vice President	Hui-Chen Chang	0	0	0	0
Assistant Vice President	Chun-Ming Su	0	0	0	0

(II) Equity transfer information: None.

(III) Equity Pledge Information: It is not applicable as the counterparty of the share pledge is not a related party.

IX. Top 10 Shareholders Who are Related Parties, Spouses, or within Second-Degree of Kinship to Each Other

Relationship between Top 10 Shareholders

Name	Shares Held in Person		Shares Held by Spouse and Underage Children		Nominee Arrangement		Title or name and relationship of top 10 shareholders who are related parties or each other's spouses and relatives within the second degree of kinship		Note
	Number of shares	Shareholding Ratio (%)	Number of shares	Shareholding Ratio (%)	Number of shares	Shareholding Ratio (%)	Item	Relationship	
Shinkong Synthetic Fibers Corporation	28,378,958	9.45	-	-	-	-	1. Shin Kong Wu Ho-Su Memorial Hospital	1. Representative of Corporate Chairman and the Chairman and Director are within second-degree of kinship to each other;	None
Representative: Tong-Sheng Wu	0	0	218,090	0.07	0	0	2. Chichen Co., Ltd.	2. Representative of the Corporate Chairman is the same as the director; representative of Corporate Director and the Chairman, Director and Supervisor are within second-degree of kinship to each other.	
Shin Kong Wu Ho-Su Memorial Hospital	20,979,735	6.99	-	-	-	-	1. Shinkong Synthetic Fibers Corporation	1. The Chairman and representative of Corporate Chairman are within second-degree of kinship to each other. The director is the same as the representative of the Corporate Chairman.	None
Representative: Tung-Ching Wu	1,493,882	0.50	0	0	0	0			
Chichen Co., Ltd.	19,650,000	6.54	-	-	-	-	1. Shinkong Synthetic Fibers Corporation	1. Representative of the Corporate Chairman is the same as the director. Representative of Corporate Director and the Chairman, Director and Supervisor are within second-degree of kinship to each other	None
Representative: Jo-Nan Sun	0	0	0	0	0	0			
Hong Pu Co., Ltd.	14,051,000	4.68	-	-	-	-	None	None	None
Representative: Pi-Fang Lee	0	0	0	0	0	0			
Lian Quan Investment Co., Ltd.	13,633,872	4.54	-	-	-	-	None	None	None

Name	Shares Held in Person		Shares Held by Spouse and Underage Children		Nominee Arrangement		Title or name and relationship of top 10 shareholders who are related parties or each other's spouses and relatives within the second degree of kinship		Note
	Number of shares	Shareholding Ratio (%)	Number of shares	Shareholding Ratio (%)	Number of shares	Shareholding Ratio (%)	Item	Relationship	
Representative: Ting Chuang	0	0	0	0	0	0			
Qian Cheng Yi Co., Ltd.	12,882,300	4.29	-	-	-	-	None	None	
Representative: Wei-Ping Chiu	0	0	0	0	0	0			
He Rui Industrial Co., Ltd.	12,000,000	3.99	-	-	-	-	1. Mian Hao Industrial Co.,Ltd.	1. The corporate director, the representative of corporate director, the supervisor, and the representative of corporate supervisor are the same as the representative of corporate director and the corporate Chairman.	None
Representative: Chih-Tien Lo	0	0	0	0	0	0			
Cheng Guang Industrial Co., Ltd.	11,202,544	3.73	-	-	-	-	None	None	None
Representative: Chen-Wei Chao	0	0	0	0	0	0			
Hua Chen Co., Ltd.	10,698,049	3.56	-	-	-	-	None	None	None
Representative: Ching-Chin Chang	12,120	0	0	0	0	0			
Mian Hao Industrial Co., Ltd.	8,123,544	2.70	-	-	-	-	2. He Rui Industrial Co., Ltd.	1. The corporate supervisor, the representative of corporate director, and the corporate representative of the Chairman are the same person as the corporate director, the representative of the corporate director, and supervisor.	None
Representative: Chen-Tung Chen	0	0	0	0	0	0			

X. Total Number of Shares and Total Equity Stake Held in Any Single Enterprise by the Company, Its Directors, Managerial Officers, and Any Companies Controlled Directly or Indirectly by the Company

Shareholding Proportion to Investees

Unit: Shares:% March 30, 2024

Investee business (Note)	Ownership by the Company		Investment by Directors, Supervisors, and Managerial Officers Directly or Indirectly Controlled by the Company		Total Ownership	
	Number of Shares	Percentage of Ownership	Number of Shares	Percentage of Ownership	Number of Shares	Percentage of Ownership
Shinkong Asset Management Co., Ltd.	98,000,000	100.00%	0	0	98,000,000	100.00%
SK INNOVATION CO.,LTD.	700,000	100.00%	0	0	700,000	100.00%
Lian Quan Investment Co., Ltd.	11,192,880	48.89%	0	0	11,192,880	48.89%
Shang De Motor Co., Ltd.	9,715,000	33.50%	0	0	9,715,000	33.50%
Chyang Sheng Dyeing & Finishing Co., Ltd.	35,170,576	20.30%	413,236	0.24%	35,583,812	20.54%
WPI-High Street LLC	—	35.71%	0	0	—	35.71%

Note: The Company's long-term investments accounted for under the equity method.

Chapter 4. Capital Overview

I. Capital and Shares

(I) Source of Capital Stock During the Most Recent Fiscal Year or During the Current Fiscal Year up to the Date of Publication of the Annual Report

Month/Year	Issue Price (NT\$)	Authorized Capital		Paid-in Capital		Remark		
		Shares (In Thousands of Shares)	Amount (In Thousands of New Taiwan Dollars)	Shares (In Thousands of Shares)	Amount (In Thousands of New Taiwan Dollars)	Source of Capital	Capital Increase by Assets Other than Cash	Others
1955/06	10	1,000	10,000	1,000	10,000	Cash	None	Note 1
1957/03	10	2,000	20,000	2,000	20,000	Cash capital increase of NT\$10,000 thousand	None	None
1962/02	10	6,600	66,000	6,600	66,000	Cash capital increase of NT\$46,000 thousand	None	None
1965/03	10	12,000	120,000	12,000	120,000	Cash capital increase of NT\$24,300 thousand Capitalization of retained earnings of NT\$13,060 thousand Capitalization of capital surplus of NT\$16,640 thousand	None	None
1966/06	10	13,200	132,000	13,200	132,000	Cash capital increase of NT\$4,800 thousand Capitalization of retained earnings of NT\$7,200 thousand	None	None
1973/04	10	16,000	160,000	16,000	160,000	Capitalization of retained earnings of NT\$28,000 thousand	None	None
1974/10	10	32,000	320,000	32,000	320,000	Capitalization of retained earnings of NT\$112,000 thousand Capitalization of capital surplus of NT\$48,000 thousand	None	None
1975/05	10	42,000	420,000	42,000	420,000	Capitalization of retained earnings of NT\$36,000 thousand Capitalization of capital surplus of NT\$64,000 thousand	None	None

Month/Year	Issue Price (NT\$)	Authorized Capital		Paid-in Capital		Remark		
		Shares (In Thousands of Shares)	Amount (In Thousands of New Taiwan Dollars)	Shares (In Thousands of Shares)	Amount (In Thousands of New Taiwan Dollars)	Source of Capital	Capital Increase by Assets Other than Cash	Others
1977/11	10	60,000	600,000	60,000	600,000	Cash capital increase of NT\$180,000 thousand	None	None
1985/12	10	120,000	1,200,000	100,000	1,000,000	Cash capital increase of NT\$400,000 thousand	None	Note 2
1989/08	30	200,000	2,000,000	140,000	1,400,000	Cash capital increase of NT\$200,000 thousand Capitalization of capital surplus of NT\$200,000 thousand	None	Note 3
1990/05	120	200,000	2,000,000	165,500	1,655,000	Cash capital increase of NT\$115,000 thousand Capitalization of capital surplus of NT\$140,000 thousand	None	Note 4
1990/11	10	200,000	2,000,000	200,000	2,000,000	Capitalization of capital surplus of NT\$345,000 thousand	None	Note 5
1991/11	10	360,000	3,600,000	240,000	2,400,000	Capitalization of capital surplus of NT\$400,000 thousand	None	Note 6
1994/07	10	360,000	3,600,000	264,000	2,640,000	Capitalization of capital surplus of NT\$240,000 thousand	None	Note 7
1995/07	10	360,000	3,600,000	290,400	2,904,000	Capitalization of capital surplus of NT\$264,000 thousand	None	Note 8
2006/09	10	360,000	3,600,000	297,660	2,976,600	Capitalization of retained earnings of NT\$72,600 thousand	None	Note 9
2007/09	10	360,000	3,600,000	300,041.28	3,000,412.80	Capitalization of retained earnings of NT\$23,812.8 thousand	None	Note 10

Note1: Registration of incorporation.

Note2: By Official Letter Tai-Cai-Zheng-(I) No. 14858 on December 3, 1985 (1985).

Note3: By Official Letter Tai-Cai-Zheng-(I) No. 00622 on March 31, 1989 (1989).

Note4: By Official Letter Tai-Cai-Zheng-(I) No. 02585 on December 26, 1989 (1989).

Note5: By Official Letter Tai-Cai-Zheng-(I) No. 02449 on October 1, 1990 (1990).

Note6: By Official Letter Tai-Cai-Zheng-(I) No. 57868 on October 4, 1991 (1991).

Note7: By Official Letter Tai-Cai-Zheng-(I) No. 27066 on June 10, 1994 (1994).

Note8: By Official Letter Tai-Cai-Zheng-(I) No. 33108 on June 6, 1995 (1995).

Note9: Official Letter Jin-Guan-Zheng-(I)-Zi No.0950135735 on August 11, 1996.

Note10: Official Letter Jin-Guan-Zheng-(II)-Zi No.0960040175 on August 31, 1997.

Shares Type	Authorized Capital			Remark
	Outstanding Shares	Unissued Shares	Total	
Common Shares	300,041,280	59,958,720 shares	360,000,000 shares	Listed stocks

Shelf Registration: None

(II) Shareholder Composition

Book closure date: March 30, 2024

Shareholder Composition Quantity	Government Agencies	Financial Institutions	Other Legal Entities	Individuals	Foreign Institutions and Foreign Individuals	Total
Number of Persons	0	14	199	15,495	59	15,767
Number of Shares Held	0	7,644,185	239,681,149	47,634,024	5,081,922	300,041,280
Shareholding Ratio	0.00%	2.547%	79.883%	15.876%	1.694%	100.00%

Note: Primary TWSE and TPEx listed companies and Emerging Stock companies should disclose the shareholding ratio of Mainland Chinese investors. "Mainland Chinese investors" means citizens, legal entities, groups, or other institutions of the Mainland China area, or a company in which the same have invested in a third jurisdiction as provided in Article 3 of the Regulations Governing Permission for People from the Mainland Area to Invest in the Taiwan Area.

(III) Distribution of Shareholding

Par value NT\$10 per share; March 30, 2024

Shareholder Ownership	Number of Shareholders	Number of Shares Held	Shareholding Ratio (%)
1 to 999	12,455	1,449,289	0.48%
1,000 to 5,000	2,507	4,829,331	1.61%
5,001 to 10,000	358	2,464,580	0.82%
10,001 to 15,000	126	1,514,661	0.51%
15,001 to 20,000	60	1,050,726	0.35%
20,001 to 30,000	60	1,476,330	0.49%
30,001 to 40,000	26	903,833	0.30%
40,001 to 50,000	16	735,526	0.25%
50,001 to 100,000	41	3,036,351	1.01%
100,001 to 200,000	35	4,697,545	1.57%
200,001 to 400,000	17	4,868,274	1.62%
400,001 to 600,000	10	4,720,004	1.57%
600,001 to 800,000	5	3,347,542	1.12%
800,001 to 1,000,000	7	6,041,075	2.01%
1,000,001 above	44	258,906,213	86.29%
Total	15,767	300,041,280	100.00%

Preferred Shares: None

(IV) List of Major Shareholders

Major Shareholders	Shareholding	Number of Shares Held	Shareholding Ratio (%)
Shinkong Synthetic Fibers Corporation		28,378,958	9.45
Shin Kong Wu Ho-Su Memorial Hospital		20,979,735	6.99
Ji Zhen Co., Ltd.		19,650,000	6.54
Hong Pu Co., Ltd.		14,051,000	4.68
Lian Quan Investment Co., Ltd.		13,633,872	4.54
Qian Cheng Yi Co., Ltd.		12,882,300	4.29
He Rui Industrial Co., Ltd.		12,000,000	3.99
Cheng Guang Industrial Co., Ltd.		11,202,545	3.73
Hua Chen Co., Ltd.		10,698,049	3.56
Mian Hao Industrial Co., Ltd.		8,123,544	2.70

(V) Market Price, Net Worth, Earnings, Dividends per Share, and Related Information for the Most Recent Two Fiscal Years

Item		Year	2022	2023	Current year up to March 30, 2024
Market Price per Share (NT\$)	Maximum		43.10	48.7	48.50
	Minimum		37.20	39.5	44.50
	Average		40.56	43.55	45.77
Net Worth per Share (NT\$)	Before Distribution		39.24	43.94	(Note 2)
	After Distribution		37.74	42.73	-
Earnings per share (NT\$)	Weighted Average No. of Shares (Note 1)		299,237 thousand shares	299,237 thousand shares	299,237 thousand shares
	Earnings per Share (EPS)		6.92	2.17	(Note 2)
Dividends Per Share (NT\$)	Cash dividends		NT\$1.5	NT\$1.2	-
	Stock dividends	Dividends from earnings	None	None	-
		Dividends from capital reserves	None	None	-
	Accumulated Undistributed Dividend		None	None	-
Return on Investment	Price/Earnings Ratio		5.90	19.73	-
	Price/Dividend Ratio		27.21	35.68	-
	Cash Dividends Yield		3.68	2.80	-

Note1: Shares held by subsidiaries of the parent company are treated as treasury shares in accordance with the provisions of International Accounting Standards No. 27 “Consolidated and Parent Company Only Financial Statements.”

Note2: No financial report has been audited by CPAs for 2024 as of March 30, 2024.

(VI) Dividend Policy and Implementation Status

1. Dividend policy:

If there are current net profits after tax in the Company's annual final accounts, 10 % of the balance, after deducting cumulative losses (including adjustment to unappropriated earnings), shall be allocated as statutory surplus reserves, except when the cumulative statutory surplus has reached the paid-in capital of the Company. Special surplus reserves shall also be allocated or written off in accordance with laws and regulations; if there's any balance, the Board of Directors shall issue earnings distribution plan for such balance and the opening unappropriated earnings (including adjustment to unappropriated earnings).

If the "net increase in accumulated fair value of property held for investment in previous period" and the "net decrease in accumulated other equities in previous period" are not accrued in full, the Company shall, distributing the earnings, accrue the special surplus' reserve in the same amount out of the undistributed earnings in the current period, and if there is still any discrepancy, the Company shall accrue it out of the undistributed earnings, which are the after-tax net profit in the current period plus the other items in the current period.

Where the earnings are distributed in the form of cash dividends, it shall be resolved by half of the Directors present at a meeting attended by more than two-thirds of the Board of Directors, and shall be reported to the Shareholders' Meeting. Where they are distributed by issuing shares or paying dividends, it shall be resolved at the Shareholders' Meeting.

The Company adopts a remaining dividend policy, in order to make cooperation in long-term financial planning to seek sustainable and stable business development and to consider the demands for capital budget and working capital. The dividend of shareholders shall not be less than 10% of the amount after the net profit after tax of the current year covers the cumulative losses (including adjustment to unappropriated earnings) and draws the legal surplus reserve and earnings shall be distributed in cash and/or by issuing shares, with the cash dividends no less than ten percent of the total dividends.

2. Implementation status:

The Company's earnings distribution for the year 2023 has been approved by the board of directors, with a resolution to distribute a cash dividend of NT\$1.2 per share.

(VII) Effect on Business Performance and Earnings per Share of Distribution of Stock Dividends Proposed or Adopted at the Most Recent Shareholders' Meeting:

Not applicable.

(VIII) Remuneration of Employees and Directors

Due to the establishment of the audit committee within the Company, there is no provision for remuneration or compensation to supervisors.

1. If the Company makes profits for the year, at least one percent of the balance shall be appropriated as compensation to employees and the Board of Directors would resolve whether to make the distribution in the form of stock or cash. The Company may have the Board of Directors resolved to appropriate no more than five percentage of the said profits as remuneration to Directors. The proposal for distribution of remuneration to employees and Directors shall be reported at the Shareholders' Meeting. However, in case of any cumulative losses, the Company shall reverse a certain amount to cover the losses before appropriating the compensation to employees and remuneration to Directors based on aforementioned ratios.

2. The estimation basis of compensation to employees and remuneration to Directors, calculation basis for number of shares distributed as employee compensation and accounting treatments for difference between estimated and actual payment amount:

The compensation to employees and remuneration to Directors were calculated at 1.98% of the profit (pre-tax profits after deducting compensation to employees and remuneration to Directors). If the amount changed after the annual consolidated financial statements are authorized for issue, the differences shall be treated as a change in accounting estimates in the following year.

3. Information concerning 2023 compensation to employees and remuneration to Directors resolved in the Board of Directors'

meeting in 2024:

- (1) To distribute compensation to employees of NT\$15,600,000 and remuneration to Directors of NT\$15,600,000.
 - (2) Amount of stock distributed as employee compensation and as a percentage to net income of parent company only or individual financial statements and aggregate compensation to employees: Not applicable.
4. The actual distribution of compensation to employees and remuneration to Directors in the previous year (including the number, amount and stock price of stocks distributed), the deviation between the actual distribution and the estimated figures, if any, and the cause and treatment thereof:

The 2023 Board of Directors' meeting resolved to distribute compensation to employees and remuneration to Directors of NT\$21,800,000 each and there were no discrepancies between the actual sum distributed and the recognized amount.

(IX) Buyback of the Company's stocks: None.

II. Issuance of Corporate Bonds, Preferred Shares, Global Depository Shares, Employee Stock Option, and Employee Restricted Stock Options, and Issuance of New Shares for Mergers and Acquisition of Other Companies: None.

III. Implementation of Capital Allocation Plans

(I) Plan details

Previous issuance or private placement of securities not yet completed or completed in the past three years with benefits yet to be shown as of the quarter preceding the date of this annual report: None.

(II) Implementation status: Not applicable.

Chapter 5. Operations Status

I. Business Activities

(I) Business scope:

1. Major products/services:

- | | | |
|------|---------|---|
| (1) | C302010 | Weaving of Textiles |
| (2) | C305010 | Printing, Dyeing, and Finishing |
| (3) | C306010 | Wearing Apparel |
| (4) | C399990 | Other Textile and Products Manufacturing |
| (5) | F102030 | Wholesale of Tobacco and Alcohol |
| (6) | F104110 | Wholesale of Cloths, Garments, Shoes, Hats, Umbrellas and Clothing Accessories |
| (7) | F106020 | Wholesale of Daily Commodities |
| (8) | F108040 | Wholesale of Cosmetics |
| (9) | F109070 | Wholesale of Culture, Education, Musical Instruments and Educational Entertainment Supplies |
| (10) | F203020 | Retail Sale of Tobacco and Alcohol |
| (11) | F204110 | Retail Sale of Cloths, Garments, Shoes, Hats, Umbrellas and Clothing Accessories |
| (12) | F206020 | Retail Sale of daily commodities |
| (13) | F208040 | Retail Sale of Cosmetics |
| (14) | F209060 | Retail Sale of Culture, Education, Musical Instruments and Educational Entertainment Supplies |
| (15) | F301010 | Department Stores |
| (16) | F399040 | Retail Sale No Storefront |
| (17) | F401010 | International Trade |
| (18) | F401021 | Restrained Telecom Radio Frequency Equipments and Materials Import |
| (19) | G202010 | Parking area Operators |
| (20) | H701010 | Housing and Building Development and Rental |
| (21) | H701020 | Industrial Factory Development and Rental |
| (22) | H703090 | Real Estate Business |
| (23) | H703100 | Real Estate Leasing |

- (24) I301010 Information Software Services
- (25) I501010 Product Designing
- (26) J202010 Industry Innovation and Incubation Services
- (27) JB01010 Conference and Exhibition Services
- (28) ZZ99999 All business activities that are not prohibited or restricted by law, except those that are subject to special approval.

2. Proportion of Business:

Main Products	Net Revenue (In Thousands of New Taiwan Dollars)	Weighting (%)
Textile	2,229,183	66%
Retail sale/Garment	778,650	23%
Rental revenue	374,364	11%
Others	748	-
Total	3,382,945	100%

3. Major products/services

- (1) Outdoor high-performance fabrics: Environmentally friendly and recyclable, sunscreen, windproof, waterproof and breathable, lightweight and warm.
 - (2) Sporty functional fabrics: Environmentally friendly and recyclable, elastic, moisture-adsorption and quick-drying, breathable, safe and reflective.
 - (3) Fashionable fashion fabrics: Environmental friendly and recyclable, delicate, soft and attractive in appearance.
 - (4) Various composite multi-functional fabrics: Developed on basis of functional yarns with composite materials, environmentally-friendly recycled materials combined with a variety of functionalities are applied in different environments.
 - (5) Digital printed fabrics: Exquisite, environmentally-friendly nylon taffeta of high resolution is applied to a wide range of textiles from 15D fine denier to 300D thick denier.
 - (6) Industrial textiles, medical care related products: Wear-resistant, antibacterial and antiviral.
 - (7) Eco-friendly recyclable uniforms: Functional textiles made from single-material recyclable polyester, emphasizing simplicity, environmental friendliness, recyclability, and comfortable wear.
4. New products to be developed: Amidst ongoing conflicts such as the Ukraine-Russia war for two years, Hamas-Israel clashes in the Gaza

Strip, escalation of the Red Sea crisis causing continuous delays in shipping, North Korea's potential aggression towards South Korea, and attacks on US military bases in Jordan possibly in retaliation against Iran, the global geopolitical tensions continue to pose threats. Despite the post-pandemic reopening and border re-openings, the economic outlook does not appear optimistic or clear.

In 2024, there will be several upcoming elections that are expected to have a significant impact on the global landscape. These elections include those in the United States, Russia, India, and the European Parliament. The volatile situation in the Middle East has resulted in a rise in global oil prices. The market anticipates a three-basis-point reduction in interest rates by the Federal Reserve in the second half of 2024. Various industries are closely monitoring the potential impact on the economy. The AI artificial intelligence craze whether it has brought ubiquitous blossoming to the industry, and how to use it to evaluate internal processes and optimize industries, physical storefronts and virtual digitized business models, environmental recycling finance, business ecosystems, global economic system and financial markets whether they can continue to grow steadily in 2024.

The future challenges arise from the following points:

- (1) Effectively reducing process carbon emissions: During this critical period of climate urgency, it is necessary to utilize more energy-efficient and carbon-saving equipment at the material sourcing, intermediate processing, and post-processing stages of textile production to achieve the goal.

There is very little time to take action against global warming and meet the targets set out in the 2015 Paris Agreement, according to an assessment by the United Nations Intergovernmental Panel on Climate Change. Environmental, recycling and renewability will lead to new standards that industries must integrate in order to remain relevant now and into the future. Brands or companies can identify opportunities in environmental protection to drive growth, retain and win new customers, establish themselves as leaders, and drive innovation.

- (2) Enhancing production efficiency and capacity: The impact of global inflation has altered consumers' financial management perspectives, necessitating solutions that provide cost-effectiveness and added value to fulfill their needs. In addition to continuous innovation and clear communication of product

advantages, efficient management of the product production process and improvement of quality yield are both helpful for the brand and customers to achieve greater efficiency and satisfaction.

- (3) Integration of the industry value chain. For instance, how to integrate Taiwan's nearly severed short-fiber fabric production and dyeing processes, allowing the market to revive the supply of natural fiber fabrics in Taiwan. In addition to possessing cross-domain communication skills, it is imperative to align with the brand's commitment to ethics, which entails manufacturers complying with the implementation of corporate social responsibility, EGS, or environmental certification.

The concept of the "circular economy" encompasses the fundamental values and concerns of present and future industries. The global industry is increasingly embracing the imperative of "sustainability," aligning with the United Nations' target of reducing global carbon emissions by 45% by 2030. Product development under the framework of "sustainable, environmentally friendly, and responsible" has also driven the creation of "responsible functional eco-textiles" - environmentally friendly, energy-saving and carbon-reducing, and functionally comfortable, aiming to serve the diverse market needs and customer services globally. It can be classified into nine main items:

- (1) Recycling PET Bottles: 99% of the source material for recycled polyester comes from PET bottles. This fundamental fabric supply in the international market mainly focuses on price competitiveness and easy access to materials, providing high cost-effectiveness for brands. However, the challenge in the future lies in whether clothing made from PET bottles will remain environmentally friendly. The significant impact of this step could very well cause a major shift in the global textile industry starting from 2025. (In March 2023, the European Commission released the draft "Green Claims Directive," stating that in the future, companies will need to provide consumers with all sustainable claims independently verified by scientific evidence.) Is there a concern about the greenwashing of recycled PET fabric? Industry professionals need to proactively plan and decide what to offer in response to market demands.
- (2) Closed-loop recycling: The concept of a "circular economy" involves transitioning from a linear, single-use "Take-Make-

Dispose" model to a closed-loop economic model. From “waste” to “material”, promoting the concept of “single material” and able to be reused within a “closed loop system.” Materials can be recycled at the end of a product's lifespan and reused in the same value chain. For example: ISP Shinkong Infinity Shirt Project (ISP) encompasses the recycling of buttons, yarns, fabrics, and labels, enabling a comprehensive recycling process. When certain African countries decline to accept recycled old clothes, there is no destination for these garments. Therefore, it becomes imperative to develop recycling technologies or innovative methods for recycling old clothes. The key lies in advancing sorting technology, quality, and de-coloration techniques: When the precision of material sorting improves, obtaining purer raw materials increases their value for high utilization.

- (3) Bio-base: Use Bio-based materials made from renewable resources such as castor oil, cassava, corn, etc., through biological, chemical, and physical methods. The use of sustainable renewable biomass in yarn production and processing agents reduces dependence on crude oil, which is especially beneficial during periods of high oil prices.
- (4) Carbon capture: Use Lanzatch’s technology to transform fermentative carbon dioxide into polyester fiber usable EG, which is then remade into yarn. The quality of textiles made from these bio-based materials is comparable to conventional polyester fibers.
- (5) Recycled nylon: Industrial waste from cotton or fabric mills, recycled fishing nets, used tires... can be recycled and made into environmentally friendly nylon.
- (6) New natural: Use certified BCI cotton, or Lenzing’s environmentally certified yarn, such as recycled leftover materials from Refibrac, and Ecovero’s environmentally friendly rayon.
- (7) Waste reuse: How to properly utilize post-harvest agricultural waste biomass is a critical aspect of Material Flow Management (MFM). MFM focuses on efficiently utilizing resources to transform waste into raw materials. Collaborating with local farmers in Taiwan, repurposing pineapple leaf fibers from agricultural waste into clothing is an exemplary initiative. This

not only helps farmers find solutions for clearing agricultural waste but also increases their income. Additionally, both carbon sequestration by plants and the reuse of agricultural waste offer significant environmental benefits in terms of carbon footprint reduction. Moreover, pineapple fiber fabric provides cooling, breathability, UV resistance, and a unique natural appearance. Therefore, "The Company" has developed pineapple fiber into a complete series, offering benefits in terms of land use, functionality, and performance.

- (8) Responsible wool: Acquire animal fiber by emphasizing the survival rights of animal, and obtain wool fiber by humane means. Furthermore, the durability of woolen fabrics is enhanced through the use of composite fibers and specialized process equipment.
- (9) New thermoplastic elastomers: Utilizing non-spandex-based (PU) innovative elastomers, such as TPEE (Thermoplastic Polyester Elastomer) and TPU (Thermoplastic Polyurethane). The development of elastic fabrics without PU Spandex aims to tackle the environmental challenge of recycling and reusing highly elastic fabrics in the market.

(II) Industry Overview:

1. Industry status and development:

The value chain of Taiwan's textile industry has developed for over 70 years since the end of the 1950s. Under trials from enormous international demand, the industry has undergone several industrial upgrades. It has transformed from using imported raw materials at the early stage to raw materials derived from petrochemicals for synthetic fibers. It heads towards elaboration and differentiation and has forged a sophisticated production system with upstream, midstream and downstream entities.

Based on the "Overview of Taiwan's Export and Import of Textile" published by Taiwan Textile Federation (TTF), R.O.C., total export amounted to US\$6.63 billion in 2023, down 25% year-over-year; total import amounted to US\$3.65 billion, down 7.6% year-over-year; and total trade surplus amounted to US\$2.98 billion, a decrease of US\$1.91 billion (39.1%) year-over-year.

By export value, the main export items were cloth (71%), followed

by yarn (13%), fiber (6%), clothing and apparel (5%) and miscellaneous textiles (5%). The five major export items all experienced declines, with cloth declining by 26%, fibers by 11%, yarns by 25%, clothing and apparel by 22%, and miscellaneous textile by 29%. Based on the import value, apparel was the primary import item (accounted for 60% and up 4.3% year-over-year), followed by fabric (accounted for 13% and down 22%), miscellaneous textiles (accounted for 11% and down 9.1%), yarn (accounted for 8% and down 37.5%), and fiber (accounted for 8% and down 12.1%).

The global economy remains stagnant due to inflation and interest rate hikes. The export of industrial products has significantly declined, with shrinking end-demand, tight monetary policies, and geopolitical conflicts all contributing to the decline in commodity trade, resulting in a double-digit recession. Furthermore, the ongoing US-China technology dispute has added more uncertainty, leading to a conservative outlook for the international economy and continued weakness in global consumer demand.

Since 2023, our textile exports have significantly declined due to adjustments in brand customer inventories. While the 2024 Paris Olympics will help boost the business climate of the textile industry and increase industry exports through the return of new orders from brands, our domestic filament yarn is limited by the high volume of low-priced orders from mainland China. Furthermore, the weak economies of European and American countries have not yet started large-scale procurement actions. The textile industry maintains a cautious optimism about the business climate in 2024, and further developments need to be closely monitored.

Item	Export Values (Unit: US\$ Hundreds of Million)	Proportion (%)	Year-over-Year (%)	Export Volume (10,000 Tons)	Year-over-Year (%)	Unit Price (US\$/Kg)	Year-over-Year (%)
1. Fiber	3.87	6	-11	30.23	-7	1.28	-5
2. Yarn	8.71	13	-25	28.85	-21	3.02	-5
3. Fabric	47.11	71	-26	50.86	-22	9.26	-5
4. Apparel	3.36	5	-22	1.41	-25	23.83	5
5. Miscellaneous	3.27	5	-29	6.03	-21	5.42	-10
Total	66.32	100	-25	117.38	-18	5.65	-8

Source: TTF Overview of Taiwan's Export and Import of Textile (2023 FY)

2. Correlation between upstream, midstream, and downstream of the industry:

The textile industry chain starts with raw materials such as petrochemicals or natural cotton and wool, which are manufactured into man-made fiber or natural fiber products including nylon fibers, polyester fiber, rayon fiber, wool, and silk. These products are then spun into yarns and wove into cloths. After the dyeing & finishing processes of breaching, dyeing, printing, coating and finishing, they are sewed to produce finished garments or other textile products.

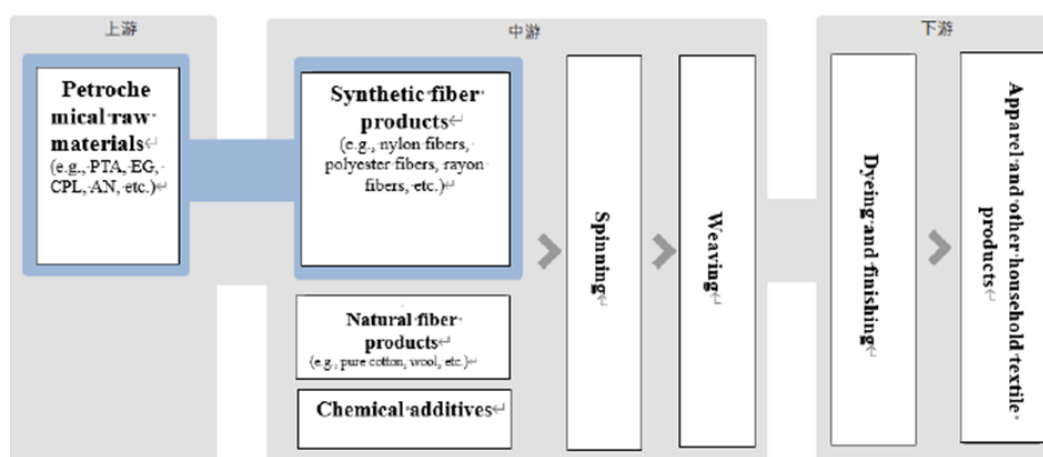
The upstream of industry chain includes natural cotton, wool, silk and linen as well as petrochemicals such as raw materials for polyester products, i.e., Ethylene Glycol (EG) and Pure Terephthalic Acid (PTA); raw materials for nylon products, i.e., Caprolactam (CPL); and raw materials for acrylic fiber, i.e., Acrylonitrile (AN).

The midstream contains synthetic fiber products, natural fiber products, chemical additives and yarns and fabrics spun and wove by aforementioned materials. Synthetic fiber accounts for 85% of textile produced in Taiwan and of which, polyamide (nylon) and polyester products are the mainstream products. Nylon chips can be made into nylon filament and nylon draw textured yarn while polyester chips can be used to produce polyester filament, polyester staple and draw textured yarn. Nylon filament can produce fabrics for clothing, bags, umbrella, webbing, inner lining, swimming suit, underwear, ski suits, military back bags, etc. Currently, the sources of raw materials for domestic textile manufacturers include Taiwanese and foreign vendors. The latter mostly provide natural fibers.

The downstream of textile industry chain are dyeing & finishing, apparel and other household textile industry. Dyeing and finishing are crucial stages in the textile industry chain in terms of product differentiation and value-added. Lately, the dyeing and finishing industry focuses on enhancing relevant technologies and developing low-carbon or eco-friendly green products in response to the worldwide demand for environmental protection. Apparel and household textile industry require high level of processing and value-added. However, lack of labor, increasing wages and the rise of emerging countries such as Indonesia, Turkey, Brazil, Mainland China, Vietnam, etc. drive Taiwanese manufacturers to gradually adjust the industrial structure by shifting from production to marketing as well as directly investing in overseas markets and

strengthen their product design capability.

The Company mostly engages in textile weaving as well as dyeing and finishing. We are positioned at the midstream and downstream of the textile industry value chain.



Source: Industry Value Chain Information Platform

3. Product development trend:

(1) Woven Fabrics

Taiwan is lacking in natural fibers. However, our production of synthetic fiber such as polyester fiber and nylon fibers is among the top three in the world. The cost for synthetic fiber production is relatively cheap and polyester fiber is expected to be the focus of Taiwan's future development. Moreover, filament is superior than staple fiber and versatile, and has gradually become the mainstream in the global market. Due to the high versatility of synthetic fiber, advancement in technology and continuous research and development by synthetic fiber manufacturers will bring more fibers with specific functions to the market for clothing and industry-use. Consequently, the weaving industry will produce fabrics with specific functions for garments and industry-use.

As the importance of functional textile rises, textile has also advanced to fabrics with functions of breathable-wind-proof, breathable-water-proof, fast drying, anti-pilling, stretch and fitting as well as synergies of lightweight thermal and breathable-water-proof. The high-tech industry is currently seeking collaboration opportunities with the textile industry to

develop wearable tech products.

(2) Digital print fabrics

Textile industry was one of Taiwan's major exporter in the past. With industry migration, low price and massive garment dumping, Taiwan's textile industry is aggressively seeking the direction for industrial revolution. The traditional textile printing is no longer sufficient to support the innovative materials which are favored by major international brands, the rich color and blueprint details for the fashion industry to present innovations and the fast fashion trends. In contrast, digital printing reduces the complex and repetitive steps of design and plate making. It significantly enhances effectiveness, and cuts down labor, bringing more convenience and benefits to the fast-changing fashion industry.

Digital printing is superior to screen printing in many ways. Compared with the traditional printing and dyeing, it shortens the process and eliminates the trouble of plate-making which saves energy consumption (about 40~75% in electricity and water). It also substantially reduces the use of dye and chemicals. The popularity of digital printing changes the long-established textile printing industry by significantly enhancing process efficiency and mitigating the impact on the environment.

4. Product competition:

The Company's principal business is the export of fabrics. Our competitors with much homogeneity are as follows:

Weaving				
TWSE-listed Companies (18)	*Formosa Chemicals & Fibre Corp.	*Shinkong Textile Co., Ltd.	*Formosa Taffeta Co., Ltd.	*Universal Textile Co., Ltd.
	*Hong Ho Precision Textile Co., Ltd.	*Li Peng Enterprise Co., Ltd.	*Chia Her Industrial Co., Ltd.	*Nien Hsing Textile Co., Ltd.
	*Taiwan Taffeta Fabric Co., Ltd.	*I-Hwa Industrial Co., Ltd.	*De Licacy Industrial Co., Ltd.	*Everest Textile Co., Ltd.
	*Wisher Industrial Co., Ltd.	*Chang Ho Fibre Corporation	*TriOcean Industrial Corporation Co., Ltd.	*Honmyue Enterprise Co., Ltd.
	*Eclat Textile Co.,	*Li Cheng		

	Ltd.	Enterprise Co., Ltd.	
TPEX-listed Companies (1)	*Ensure Global Corp., Ltd.		
Emerging Stock Company (1)	*Mytrex Health Technologies, Inc.		
Well-known foreign companies (3)	*Esquel China Holdings Limited	*Jiangsu Lianfa Textile Co., Ltd.	*LUTHAI Group

A total of 23 companies

Dyeing and finishing				
TWSE-listed Companies (19)	*Nan Ya Plastics Corporation	*Formosa Chemicals & Fibre Corp.	*Far Eastern New Century Corporation	*Nan Yang Dyeing & Finishing Co., Ltd.
	*Shinkong Textile Co., Ltd.	*TRK Corporation	*Formosa Taffeta Co., Ltd.	*Li Peng Enterprise Co., Ltd.
	*Chia Her Industrial Co., Ltd.	*Nien Hsing Textile Co., Ltd.	*Yi Jinn Industrial Co., Ltd.	*Everest Textile Co., Ltd.
	*Chyang Sheng Dyeing & Finishing Co., Ltd.	*De Licacy Industrial Co., Ltd.	*Tex-Ray Industrial Co., Ltd.	*Chang Ho Fibre Corporation
	*Evertex Fabrinology Ltd.	*Tri Ocean Textile Co., Ltd.	*Big Sunshine Co., Ltd.	
TPEX-listed Companies (2)	*Toung Loong Textile Mfg. Co., Ltd.	*Singtex Industrial Co., Ltd.		
Well-known foreign companies (3)	*Qingdao Phoenix Printing and Dyeing Co., Ltd.	*Federation Sanhe (Fujian) Co., Ltd.	*Sheng Hong Group Holdings Limited	

A total of 24 companies

Source: Industry Value Chain Information Platform

(III) Overview of technology and R&D:

1. R&D expenses

(In Thousands of New Taiwan Dollars)

Year	2022	2023	Current Fiscal Year up to March 30, 2024
Research and Development Expenses	29,688	34,949	8,260

2. Technologies or products developed successfully

In response to the global industry's commitment to achieving net-zero carbon emissions by 2050, numerous international brands are placing greater emphasis on the eco-friendliness and recyclability of their products. This emphasis is particularly evident in their use of significant amounts of elastic polyester fabrics.

In the realm of functional textiles, be it in the sports or outdoor market, comfort and flexibility are practically interchangeable. The elasticity and stretch of elastic fabrics are mainly achieved through the use of PU spandex rubber materials in the current market. However, recycling and reusing PU elastic yarn pose challenges. Therefore, standing out in the vast field of materials science is the Thermoplastic Polyester Elastomer (TPEE) within the polyester fiber family. TPEE is a copolymer that consists of soft and hard segments. The soft segment gives it elasticity similar to rubber, while the hard segment enhances its processing performance and durability, similar to plastic. It possesses both the elasticity of rubber and the rigidity and processability of thermoplastic resin at the same time.

The Company is dedicated to conducting research on sustainable and environmentally friendly materials. In addition to the Infinity Shirt Project (ISP), a zero-waste recyclable program for a single material, the Company is committed to achieving a complete clothing-to-clothing cycle. This initiative aims to eliminate discarded clothing as an environmental hazard and establish a closed-loop ecological system that promotes infinite cycle, zero waste, and green procurement. Simultaneously, we strive to offer customers various solutions in the realm of elastic fabrics. Our objective is to provide not only the inherent elasticity and comfort but also the capacity to recycle and reuse elastic fabrics and garments. Therefore, in October 2021, we initiated a research project on this new material, allocating

manpower, time, and funds. The research and development process involved numerous failures, discussions, revisions, and readjustments. Eventually, by confirming the yarn material formula and refining the dyeing and finishing process, we achieved more consistent and stable results. We anticipate that this breakthrough in elastic fabrics will not only provide market advantages for our company through new products, but also have a significant impact on the textile industry and clothing market. This innovation will alleviate the issue of non-recyclability associated with the use of elastic fabrics in the consumer market, thereby promoting a sustainable cycle of recycling.

Notable accomplishments: Being chosen for the Image Area at international fabric exhibitions and receiving recognition from international buyers, such as the Premiere Vision Paris Show, Munich PERFORMANCE DAYS functional fabric fair, and ISPO Munich. Among them, the German "ISPO" Outdoor Exhibition defines product XX-P0161 as one of the top 10 options in the "Accelerated Eco" category. As of February 2024, this product has received sample requests and discussions from approximately 40 brands. The significant number of sample requests demonstrates a strong interest from global buyers/brands in environmentally friendly and recyclable elastomers. We are also closely monitoring order trends.

(IV) Long-term and short-term business development plans:

1. Short-term development strategies:
 - (1) Strengthen cooperation with well-known brands.
 - (2) Continue the development of diverse product portfolio to differentiate from competitors.
 - (3) Enhance supply chain quality and reduce costs to improve productivity.
2. Long-term development strategies:
 - (1) Strengthen the research and development of high-end technologies to stand out in the market.
 - (2) Gradually establishing specialized markets such as medical, military, and specialty industrial products helps diversify market risks.

II. Overview of Market, Production and Sale

(I) Market Analysis:

1. Sales Area of Major Products:

Sales Department: Primarily focusing on exporting to renowned apparel brands in the United States and Europe while also expanding into the Asian market.

Retail Department: Acting as agent for PGA TOUR of the United States, being the dealer of apparel brands such as ADIDAS GOLF and creating fashion brands such as ARTIFACTS, ART HAUS and ASPORT. In addition, the Company handles the design and production of group uniforms, specializing in uniforms for companies and firms or the gift markets.

Construction department: continue to promote housing and land leasing and increase the rental rate year by year.

2. Future supply and demand conditions and growth of the market:

(1) The trend of fashionable and functional apparel continues: The demand for products combining fashion and functionality continues to rise. As the fabric features of such products are the Company's area of investments and focus over the years, the growth potential of the market is very optimistic.

(2) Major brand customers' demand for online shopping is not falling, and stores are increasing in Asia, bringing increased demand for functional clothing.

(3) Major brands around the world are advocating environmental protection, recycling materials for sustainable cycle, carbon emissions, carbon footprint, degradable materials, waste clothing recycling and other business opportunities, which are all the development strengths of the Company.

3. Competitive Niche, Positive and Negative Factors for Future Development and Responses:

(1) Positive Factors:

- ① Taiwan's production of polyester fiber and nylon fibers is among the top three in the world, which facilitates the

development of textile products.

- ② Institutions including the government, the academia and corporations actively support the upgrading and transformation of the textile industry.
- ③ Textile for garments and home decoration have strong differentiation advantages as well as comprehensive design, manufacturing and marketing systems.
- ④ The Company has excellent research and development capabilities for composite and diverse fabrics and textile products as well as accesses to the latest fashion news.
- ⑤ In response to geopolitical dynamics, establish a global supply chain.
- ⑥ The directions and designs of products have been well received by consumers. Continuous exploration on existing foundation will result in greater development.
- ⑦ Our well-established relationship with overseas suppliers gives us access to the latest and unique fabrics.
- ⑧ We closely monitor market trends and adjust sales strategies accordingly.
- ⑨ Brand reform and substantial reduction in inventory allow the brands to adjust and align their targets and strategies with market demand.
- ⑩ The Company has excellent retail channels. Products can enter and expand in the market quickly.
- ⑪ Increase the exposure of the brand image on social media and strengthen the online marketing of our brand, which can bring us greater business opportunities.

(2) Negative Factors:

- ① Companies need to strengthen their research and development capabilities and make up for the lacking in innovative textiles and latest information abroad.
- ② The number of domestic textile workers has been decreasing. Younger generation is reluctant to enter the textile market.
- ③ Small market scale and numerous competitions restrain the expansion of new brands in Taiwan.

- ④ Consumer preferences change rapidly. Companies need to develop unique and innovative products to attract consumers.
- ⑤ Russia-Ukraine war, inflation, rising oil prices and rising costs.
- ⑥ Inflation impact, slowed destocking, high market uncertainty, and low consumer buying.

(II) Usage and manufacturing processes for the Corporation's main products:

1. Main applications of key products

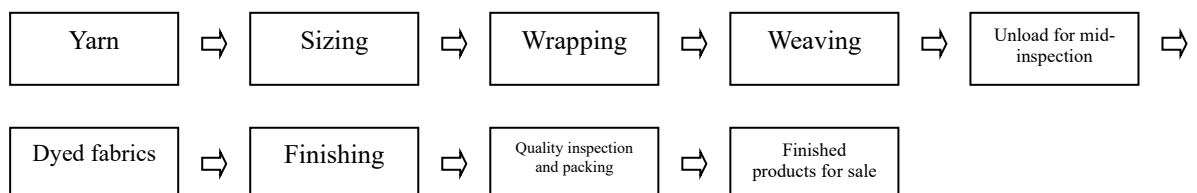
Fabric for clothing: The primary applications are outdoor functional sportswear, ski wear, swimwear and casual wear. The manufacturing processes include yarn dyedwoven and knitted fabrics, piecedyed woven and knitted fabrics, and digital print woven and knitted fabrics. Different resin finishing such as wicking, durable water repellency (DWR) or anti-bacteria is applied based on product functionality. Laminating, coating and pressing can then be applied if necessary.

2. Manufacturing process of key products

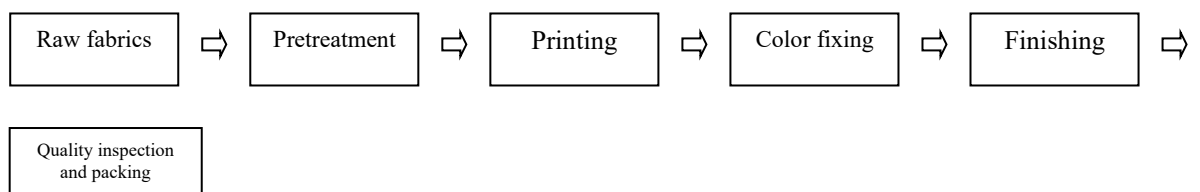
[Yarn Dyed Fabrics]



[Piece Dyed Fabrics]



[Digital Print Fabrics]



(III) Supply status of main raw materials:

Based on delivery schedule, quality and costs, the Company may choose domestic purchases or direct import with flexibility.

(IV) Names of Customers Who have Accounted for More Than 10% of the Total Amount of Goods Purchased (Sold) in Any of the Most Recent Two Years and the Amount and Proportion of the Goods Purchased (Sold):

1. Information on Major Suppliers for the Most Recent Two Years

(In Thousands of New Taiwan Dollars)

	2023				2022				Up to March 30, 2024 (Note)			
Item	Item	Amount	Percentage of net purchases of the year (%)	Relationship with the Issuer	Item	Amount	Percentage of net purchases of the year (%)	Relationship with the Issuer	Item	Amount	Percentage of net purchase of the year up to the first quarter (%)	Relationship with the Issuer
1	Manufacturer A	249,275	13.50	—	Manufacturer A	358,422	16.29	—	—	—	—	—
-	Others	1,597,707	86.50	—	Others	1,842,312	83.71	—	—	—	—	—
	Net purchases	1,846,982	100.00	—	Net purchases	2,200,734	100.00	—	Net purchases	—	—	—

Note: No financial report has been audited by CPAs for 2024 as of March 30, 2024.

2. Information on Major Customers for the Most Recent Two Fiscal Years

	2023				2022				Up to March 30, 2024 (Note)			
Item	Item	Amount	Percentage of net sales of the year (%)	Relationship with the Issuer	Item	Amount	Percentage of net sales of the year (%)	Relationship with the Issuer	Item	Amount	Percentage of net sales of the year as of the end of last quarter (%)	Relationship with the Issuer
1	Company A	303,951	10.11	Related party in substance	Company A	256,533	8.61	Related party in substance	—	—	—	—
-	Others	2,703,882	89.89	—	Others	2,724,532	91.39	—	—	—	—	—
	Net sales	3,007,833	100.00	—	Net sales	2,981,065	100.00	—	Net sales	—	—	—

Note: No financial report has been audited by CPAs for 2024 as of March 30, 2024.

(V) Production Volume and Value for the Most Recent Two Fiscal Years

Major Product	2023			2022		
	Capacity (thousand yard)	Yield (thousand yard)	Output Value (NT\$ thousand)	Capacity (thousand yard)	Yield (thousand yard)	Output Value (NT\$ thousand)
Self-woven fabric	4,380	3,964	95,934	4,380	4,316	98,056
Dyeing and finishing finished fabrics	12,000	9,002	300,984	12,000	9,322	301,026
Total	16,380	12,966	396,918	16,380	13,638	399,082

Note: The yield and output value of finished fabrics do not include those outsourced for processing.

(VI) Sales Volume and Value for the Most Recent Two Fiscal Years

Sales volume: In Thousands of New Taiwan Dollars

Major Product	Unit	2023				2022			
		Domestic sales		Export sales		Domestic sales		Export sales	
		Volume	Value	Volume	Value	Volume	Value	Volume	Value
Blended yarn	KG	821	151	—	—	27,083	571	—	—
Fabric	Yard	851,014	98,404	17,491,265	1,972,367	1,330,123	142,591	18,958,976	2,027,436
Fabric	KG	—	185	—	—	—	—	—	—
OEM-fabrics		—	26,547	—	—	—	20,593	—	—
Rental income		—	374,364	—	—	—	367,621	—	—
Retail sale/Garment		—	884,762	—	25,312	—	761,978	—	27,797
Others		—	853	—	—	—	702	—	—
Total		—	1,385,266	—	1,997,679	—	1,294,056	—	2,055,233

III. Basic Information of Employees during the most recent Fiscal Year and up to the Publication Date of the Annual Report

Year		2022	2023	Current year up to March 30, 2024
Number of employees	R.O.C.	444	459	490
	Foreign employees	118	120	120
	Total	562	579	611
Average Age		40 years and 5 months	40 years and 9 months	40 years and 9 months
Average Length of Service		5 years and 9 months	5 years and 11 months	5 years and 10 months
Educational Distribution Ratio	PhD	0.36%	0.34%	0.33%
	Master	6.23%	5.76%	5.73%
	College	44.31%	46.27%	47.62%
	High School	36.48%	33.05%	32.57%
	Below High School	12.62%	14.58%	13.75%

IV.Environmental Protection Expenditures

Losses and punishments suffered due to environmental pollution in 2023 and as of the date of publication:

V. Labor Management Relations

(I) Current important labor-management agreements and their implementation:

1. Employee welfare

- (1) Employees are entitled to labor insurance, health insurance and contributions to labor pension as required by law. The Company also provides group accident insurance and life insurance plans and engages affiliates to offer employee benefit insurance plans for employees and their family members. Expatriates are entitled to extensive and comprehensive group insurance coverages.
- (2) The Company implements gender equality and stresses the importance of employee care and a friendly workplace. As of the date of 2024 annual report, female employees accounted for approximately 62.7% of the total number of employees. Female employees with titles of assistant vice president or above accounted for 44%.

Employees are recruited based on qualification requirements of each position and the salaries for each level are not differentiated due to gender. We have created a workplace which practices equal pay for equal work and gender equality.

- (3) The Company's internal management rules emphasizes and protects the interests of pregnant employees. The Company has signed long-term contracts with day care centers in the neighborhood areas of each factory to ease the babysitting concern. Employees are entitled to parental leave before any of their children reach the age of three years old pursuant to the "Act of Gender Equality in Employment" and the "Regulations for Implementing Unpaid Parental Leave for Raising Children" for a period not exceeding two years. The Company would make arrangements for reinstatement after the parental leave. In 112, the Company agreed to have employees apply for flexible working hours for childcare reasons.

- (4) The Company has established the Employee Welfare Committee and makes contributions to the welfare funds at a certain percentage of total operating revenue. Company trips or small-scale activities are regularly organized for employees to enjoy a good time together. There are also employee discounts for shopping, funeral payments and education subsidies for children. In 2023, employees traveled to Taichung, Tainan, Chiayi, and Taoyuan, etc. for tourism purposes. Employees were provided with the flexibility to choose the session they wanted to participate in.
 - (5) Each factory has budget allocated for annual gatherings and gifts for the Dragon Boat Festival and Mid-Autumn Festival. Employees are entitled to floor models and shopping discounts. Health check-ups are arranged for employees regularly. Also, employees may apply for maternity leave, paternity leave and parental leave in accordance with the laws.
2. Employee education and training:
- The Company enhances the overall competitiveness of its employees and the Company in light of the rapid development of the industry, and inspires potential and loyalty of its employees. Each year, the Company organizes internal or external courses based on competencies matching its business strategy and organizational developments as well as requirements from different levels. Through learning and growth, employees can enhance their work performance and achieve job targets. In addition to training for new recruits, the 2023 annual training courses included human rights policy, anti-corruption, prevention of insider trading, ethical business policy, trade secrets, digital learning, system operation, management functions and professional skills training, involving about 6,605 hours of training.
3. Retirement system:
- (1) The Company has drawn up employee pension plans as required by law for employee's retirement.

- (2) The Labor Pension Act took effect on July 1, 2005. Employees recruited prior to June 30, 2005 and on job as of July 1, 2005 can choose between the pension system under the Labor Standards Act or the one under the Labor Pension Act and retain prior seniority. The Company contributes monthly an amount equal to 2% of the employees' monthly salaries and wages to a retirement fund that is deposited with Bank of Taiwan pursuant to the Labor Standards Act.
- (3) Employees recruited after July 1, 2005 were all subject to the pension system under the Labor Pension Act. Company makes monthly contributions to employees' individual pension accounts with the Bureau of Labor Insurance at 6% of their monthly salaries. Employees making voluntary contributions would have their contributions deducted from their salaries by the Company based on their rates of voluntary contribution and deposited to their individual pension accounts.
- (4) Applications for retirement and payment standards are handled in accordance with Articles 53, 54 and 55 of the Labor Standards Act.
- (5) The Company shall pay the due amount of pension within 30 days after an employee's retirement.
- (6) The implementation status is as follows:

Pension System	Old	New
Applicable Laws	Labor Standards Act	Labor Pension Act
Contribution method	2% of the employees' monthly salaries and wages to a retirement fund that is deposited with Bank of Taiwan	6% of the employees' monthly salaries and wages according to employees' insurance level to their individual pension accounts with the Bureau of Labor Insurance
Contributions	Cumulative amount of NT\$55,220 thousand	Contribution in 2023 amounted to NT\$15,878 thousand

4. Code of conduct or ethics:

- (1) The Company has drawn up the "Codes of Discipline" for employees to follow so as to prevent losses of individual or the Company from improper conducts. Details are as follows:
 - ① Employees shall perform their duties diligently, comply with the Company's regulations, and adhere to reasonable guidance and management of supervisors at all levels without negligence, prevarication or disobedience. Supervisors at all levels shall give proper guidance to employees.
 - ② Internally, employees shall work diligently, care for public goods, reduce wear and tear, improve quality, and increase production. Externally, they shall keep trade or job secrets confidential.
 - ③ Employees shall report their duties to their supervisors from the first level up and shall not bypass mid-level supervisors and directly report to higher-level supervisors unless it is an emergency or a special circumstance.
 - ④ Employees shall not meet families and friends or leave their positions without permission during working hours.
 - ⑤ Employees shall not bring their families or friends into the factories without permission.
 - ⑥ Employees shall not use their authority for their interests or for others.
 - ⑦ Without the consent of the Company, employees are not permitted to engage in the same type of business outside the Company which will affect their fulfillment of labor contracts with the Company.
 - ⑧ Employees shall not receive treats, gifts, rebates, or other illegal benefits in their duties or the violation of their duties.
 - ⑨ Employees may not bring guns, ammunition, knives, dangerous or forbidden items, cameras or items not related to job into any work place in the Company.

- ⑩ Employees shall not take public goods out of the factory without permission. Release documents shall be obtained from the HR office to bring private items out of the factory and employees shall voluntarily accept inspections from the security or personnel of the Administration Division.
- ⑪ Employees shall perform their job duties and be held accountable based on authority hierarchy. They shall handle works in a timely manner. Supervisors of all units shall monitor employees' work process and give guidance when necessary.
- ⑫ Employees are not allowed to use public goods or company funds unless required by work or with consents from the Company.
- ⑬ Employees are prohibited from using the name of the Company and the factory unless required for conducting the Company's business.
- ⑭ Employees with personal or family interests in matters of the Company shall recuse themselves and shall not participate in the deliberation or handling of such matters.
- ⑮ Employees are not allowed to work part-time or operate similar business without the permission of the Company during their employment.
- ⑯ Employees are required to uphold strict confidentiality in respect of the Company's undisclosed technical and administrative information, whether resolved or unresolved, and the status of customers' dealings with the Company during or after their employment with the Company.
- ⑰ Employees shall not, in any way or form, supply to any person in respect of matters that he/she is exposed to at work, whether during or after their employment with the Company. Ownership of work or studies done during employees' term of office belong to the Company.
- ⑱ Employees shall be humble and polite to customers and visitors. Arrogant and improper behaviors are not allowed.

- (2) For employees' understanding and compliance with moral values, rights, obligations and behavior, the Company has also established rules concerning authority hierarchy, department functions, employee attendance, employee rewards and punishments, travel management and bonus distribution. Relevant issues can be handled in a timely manner.
5. Protection measures for work environment and employees' personal safety:

In order to ensure a safe and comfortable working environment for every employee, protective measures adopted by the Company include safety and health education necessary for employees to perform their work, trainings for disaster prevention and health check-ups. Details are as follows:

- (1) To develop and promote relevant policies. The Company's Employee Work Rules specify that every employee shall comply with the safety and health work codes. There is a complaint system for employees to file complaints. Signs are posted in the office to promote work safety.
- (2) To increase employees' awareness on work safety, the Company organizes several education and training sessions, which include environmental, safety and health education for new recruits to understand and be familiarized with environmental management at workplace and rules to be complied with. Regular education sessions are arranged for factory workers to familiarize themselves with the potential hazards and precautions concerning hazardous substances in the workplace, safety operation of equipment and emergency response plan.
- (3) In order to prevent work injuries, employees are required to wear protective equipment such as helmets, gloves, protective masks, earplugs, etc.
- (4) The Company establishes and maintains various projects to carry out regular inspections on the work environment, e.g., noise testing, safety inspection of fire equipment, quarterly maintenance of drinking water facilities by contractors, regular disinfection of office premises and cleaning of floor areas by professional vendors.

- (5) Free and regular health check-ups.
- (6) Employees are covered by group accident insurance and life insurance. The Company also engages affiliates to offer special deals on group personal injury insurance where employees can participate at their own expense.
- (7) To prevent the occurrence of occupational disasters and reduce the hazards in the factory and the risks of employees at work, the Company passed the ISO45001 audit and obtained the certificate (authorized by DNV, valid for 11-17-2021-11-17-2024, Certificate No.: 456633-2021-ASA-RGC-RvA) in 2021, and selected the intolerable risks for correlation improvement after the on-site hazard and risk assessment in the factory, and selected the projects with high risk for improvement. Pursuant to laws and regulations, the occupational safety personnel would carry out on-site patrols daily, and inspections on work environment and filings are conducted every six months. The Occupational Safety Committee convenes meetings on a quarterly basis and the number of labor representatives in the committee exceeds one-third of the total number of representatives (i.e., more than the quota required by law). Meetings are held to discuss safety and health plans, including education and training, improvement measures for working environment, prevention and management of hazards, audits and health promotion plans. Professionals would be invited to attend the Occupational Safety Committee meeting to discuss improvement schemes for dangers identified at workplace. Improvements are carried out based on conclusions drawn at the meeting.

To promote employee health and safety, the Company employed the physicians and therapists for occupational health to provide labor health protection, such as employee health management, occupational disease prevention and health promotion and assessed and improved four major plans (i.e. ergonomic hazard prevention, diseases caused by abnormal workload, illegal infringement in the performance of duties, maternal health protection).

Numbers of representatives from management and employees at the Occupational Safety Committee are as follows:

	Dayuan Factory		Daxi Factory	
Year	111	112	111	112
Representative from employees	6	6	6	6
Representative from management	2	2	2	2
Total	8	8	8	8

Occupational injuries in 2022 and 2023 are summarized in the table below. The disabling frequency rate and disabling severity rate are derived from the occupational hazard reporting system of the Ministry of Labor. The statistics include road accidents on the way to and from work.

Factory	Dayuan Factory				Taoyuan Factory			
Year	2022		2023		2022		2023	
Gender	Male	Female	Male	Female	Male	Female	Male	Female
Absence Rate (A.R)	0.08%	0.12%	0%	4.29%	0%	0%	0%	0%
Disabling Frequency Rate (FR)	5.5	7.6	0	2.99	0	0	0	0
Disabling Severity Rate (SR)	110.54	145.46	0	537.37	0	0	0	0
Frequency-Severity Indicator (FSI)	0.78	1.05	0	1.27	0	0	0	0

Note: Absence Rate = total days absent (occupational injury leave) during the reporting period/total working days during the reporting periodx100%

Disabling Frequency Rate = (Total number of people with disabling injuryx106)/Total number of working hours

Disabling Severity Rate = (Total number of days of loss due to disabling injuryx106)/Total number of working hours

Frequency-Severity Indicator (FSI) = (FRxSR/1000)^(1/2)

Calculation Explanation: During the year 2022 in the Dayuan Plant, there were a total of 38,942 working days, amounting to 311,536 hours of working. One male employee took 20 days off due to injury, while one female employee took 19 days off.

In 2023, the total number of working days at the Dayuan plant was 419,911 days, with a total of 334,960 working hours. Additionally, one employee was injured in a traffic accident while commuting to work, resulting in 180 days of medical leave.

The Corporation does not have any specified dangerous workplace. However, in order to provide protection for workers engaged in certain positions with potential high risk or high incidence of disease, the Corporation will carry out relative

educational training, including educational training on protective gear wearing and general educational training on hazards, posts warning signs for high-risk machines to prevent people from touching, and distribute protective gears to all workers who work in dangerous areas and train them to use, maintain and check whether the gears are in normal use.

Considering the impact of natural disasters and man-made accidents on operations, we have been building a disaster risk management mechanism with a preventive management attitude, and has established an “emergency response management procedure” to avoid or reduce the possible loss caused by personnel injury, equipment damage and property loss, and the shutdown of operations. In addition to actively cooperating with and participating in various exercises sponsored by organizations at all levels, we regularly carry out two disaster rescue exercises every year.

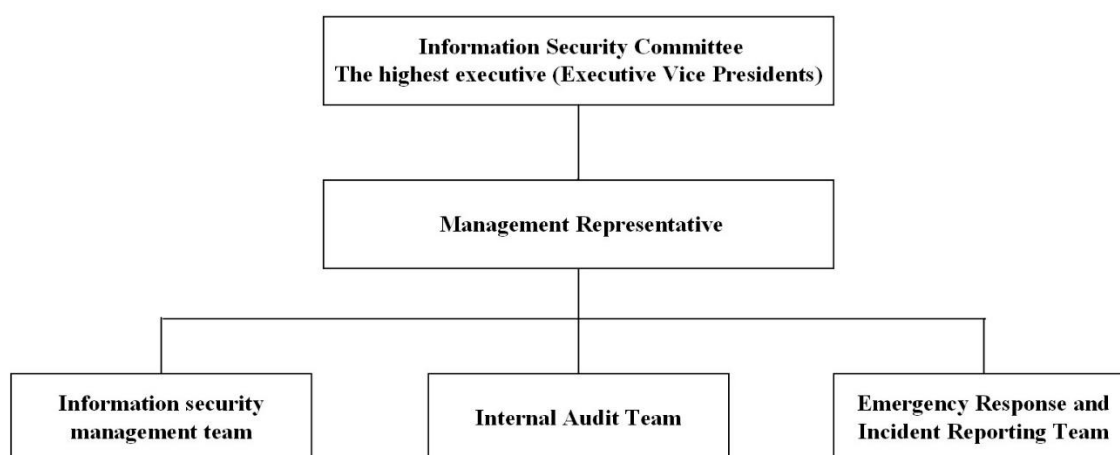
6. Other significant agreements: None.

(II) Loss incurred due to industrial dispute as of the date of this annual report: None.

VI. Information Security Management

1. Information security framework

To enhance information security management, the Company has established a Information Security Management Committee and appointed information security management representatives from each department. Regular Information Security Management meetings are held annually, and the Information Officer reports on information security achievements periodically.



2. Information Security Policy:

A. Information Security Management Strategy

- (1) The Corporation has formulated relevant information security management regulations in strict compliance with laws and regulations, and provides appropriate protection measures for the Corporation's information assets to ensure their confidentiality, integrity, availability and legal compliance.
- (2) The Corporation evaluates the impact of various natural disasters and accidental disasters caused by human factors on the Corporation's information assets on a regularly basis, and formulates disaster prevention measures and disaster recovery plans for important information assets and key businesses to ensure the continued operation of the Corporation's business.
- (3) The Corporation supervises the implementation of information security protection by all staff, establishes the concept that protection of information security is everyone's business, and promotes the awareness of information security among all business departments and staff.
- (4) The Corporation requires all its staff and vendors who use or connect to its computer systems to strictly abide by the information security regulations of the Corporation. If there is a violation, it will be punished according to the Corporation's regulations or contract penalties. The circumstances are serious. Those who will be prosecuted by relevant laws. Any violators will be punished according to the provisions of the Corporation or the contractual penalty according to the circumstances, or separately prosecuted by relevant laws in case of serious circumstances.

B. Continue to improve the structure and cyber security risk management

- (1) Organization and operation mode - The Company adopts PDCA (Plan-Do-Check-Act) cycle management to ensure the attainment and continuous improvement of information security objectives, and regularly returns the implementation results through the Information Security Committee.
- (2) Planning stage: The Company plans to establish a complete Information Security Management System (ISMS), and plans to introduce the international information security management

system certification (ISO 27001), so as to reduce the threat of information security to the Company from system, technical, and program perspectives.

3. Specific Implementation Measures:

Management plan: The Company has entered into maintenance and guarantee contracts for its operational assets, such as maintenance information system and information equipment such as network equipment. It also deals with information security challenges, such as APT advanced persistent attacks, DDoS attacks, ransomware attacks, social engineering attacks and information theft. Every year, according to the Company's information security policy, we keep paying attention to the changing trend of the information environment, and draw up the information security protection mechanism and plan with reference to the technical articles, strengthen the Company's employees' information security crisis awareness and the emergency handling capacity of the security processing personnel, so as to prevent the proliferation in advance and effectively detect and stop it in time, and indeed implement the following information security management measures, as shown in the table below:

Information security management measures		
Type	Note	Related measures
Personnel security management	Personnel account, authority management and educational training	<ul style="list-style-type: none"> ● Personnel account authority management and approval ● Deletion of account after personnel dimission and transfer ● Information security education and training
Computer system security management	System security management, data security management, protection against computer viruses and malware	<ul style="list-style-type: none"> ● Setting and control of computer operating system ● Daily backup and remote backup of ERP system ● Use legal software and keep the virus pattern up to date
Network security management	Network security planning and management, Network user management, email security management	<ul style="list-style-type: none"> ● Establish a firewall and anti-virus system ● Regular promotion on information security ● Do not open emails from unknown sources

Information security management measures		
Type	Note	Related measures
System access control	Control measures for personnel accessing internal and external systems and data transmission channels	<ul style="list-style-type: none"> ● System access is limited to those required to perform business and duties ● After opening a system account, the user needs to change the password every six months ● Apply for changes in user access, and information can only be modified upon approval
Security management of information assets	Transfer and scrapping disposal of information assets	<ul style="list-style-type: none"> ● All hard disks should be removed before scrapping an information equipment, and the scrapping request form should be recorded before scrapping ● Transfer of information equipment shall be recorded in the transfer application form
Security management of system development and maintenance	Security management of general computer system operations and outsourced operations	<ul style="list-style-type: none"> ● Application program updates should be coordinated by each application system owner ● Outsourced information vendors should be responsible for security management, and keep confidential
Physical and environmental security management	Computer equipment security management, power supply system management, setting and management of fire protection system in the computer room	<ul style="list-style-type: none"> ● Dedicated personnel are responsible for the computer room for regular maintenance and testing ● Provide uninterrupted power system ● Access control is implemented for the computer room
Planning and management of business continuity plans	Backup and recovery operations	<ul style="list-style-type: none"> ● A test drill for backup and recovery operations should be carried out every year
Information security audit	Confirm the implementation of information security management activities	<ul style="list-style-type: none"> ● Any information security incident is found should be promptly reported to the competent authority and relevant personnel for handling

4. Input Resources for Information Security

- A. The Company holds information security meetings attended by representatives from different departments once respectively in the first half and the second half of each year to review and implement the information security measures, education and training, publicity and other improvements to ensure that the Company's important confidential information is not leaked.
- B. The IT department has two individuals responsible for information security management, assessing the security situation, and collaborating with external cybersecurity vendors to conduct regular security checks.
- C. The Company continues to invest resources in the fields related to information security. In 2023, the investments increased by 17% compared with that in 2022. Resources invested included manpower and technical infrastructure, strengthening the host side, personal side anti-hacker and anti-virus equipment and software, and information monitoring and analysis, so as to comprehensively improve information security capabilities.
- D. In order to enhance information security, the factory plans to update its firewall and other equipment to Fortinet devices in the year 2023. Both the company and the factory will fully embrace Fortinet Security Fabric, which will enable seamless control, integration, and efficient management of security across the entire organization, from the Internet of Things to the cloud.

5. Losses incurred due to major information security incidents in the most recent fiscal year and as of the publishing date of the annual report, and its possible impact and countermeasures:

In 2023, the Company had no losses suffered due to major information security incidents.

VII. Material Contracts: None.

Chapter 6. Financial Information

I. Condensed Balance Sheet and Comprehensive Income Statement, CPA name and audit opinions of the Most Recent Five Years

(I) Condensed balance sheets and comprehensive income statement- International Financial Reporting Standards

Condensed consolidated balance sheets - International Financial Reporting Standards

(In Thousands of New Taiwan Dollars)

Item	Year	Financial Information for the Most Recent Five Years					Financial Data in the Current Year up to Financial Information as of March 30, 2024 (Note 1)
		2019	2020	2021	2022	2023	
Current Assets		2,423,394	2,891,898	5,002,889	5,072,892	4,678,182	-
Property, plant and equipment		318,639	321,571	417,013	630,474	353,929	-
Intangible Assets		2,752	2,368	2,457	3,270	4,958	-
Other Assets		10,173,954	10,363,291	10,712,766	10,992,011	13,507,108	-
Total Assets		12,918,739	13,579,128	16,135,125	16,698,647	18,544,177	-
Current liabilities	Before distribution	2,991,784	3,532,018	5,123,044	3,789,321	3,882,051	-
	After distribution	3,291,825	3,832,059	5,423,085	4,239,383	4,242,101	-
Non-current liabilities		1,187,807	959,742	1,000,963	1,166,384	1,515,065	-
Total Liabilities	Before distribution	4,179,591	4,491,760	6,124,007	4,955,705	5,397,116	-
	After distribution	4,479,632	4,791,801	6,424,048	5,405,767	5,757,166	-
Equity Attributable to Owners of the Parent		8,704,392	9,087,364	10,011,118	11,742,942	13,147,061	-
Capital Stock		3,000,413	3,000,413	3,000,413	3,000,413	3,000,413	-
Capital Surplus		6,916	7,911	8,928	10,010	13,385	-
Retained Earnings	Before distribution	2,339,776	2,418,420	2,563,285	4,326,792	4,619,174	-
	After distribution	2,039,735	2,118,379	2,263,244	3,876,730	4,259,124	-
Other Equity		3,370,461	3,673,794	4,451,666	4,418,901	5,527,263	-

Treasury Stock		(13,174)	(13,174)	(13,174)	(13,174)	(13,174)	-
Non-controlling Interests		34.756	4	-	-	-	-
TOTAL EQUITY	Before distribution	8,739,148	9,087,368	10,011,118	11,742,942	13,147,061	-
	After distribution	8,439,107	8,787,327	9,711,077	11,292,880	12,787,011	-

Note1: No financial report has been audited by CPAs for 2024 as of March 30, 2024.

**Condensed consolidated comprehensive income statement -
International Financial Reporting Standards**

(In Thousands of New Taiwan Dollars)

Item \ Year	Financial Information for the Most Recent Five Years					Financial Data in the Current Year up to Financial Information as of March 30, 2024 (Note)
	2019	2020	2021	2022	2023	
Operating Revenue	2,083,581	2,149,213	2,748,914	3,349,289	3,382,945	-
Gross Profit	594,812	623,122	728,895	918,038	993,274	-
Operating Profit (Loss)	113,409	163,447	200,224	300,255	359,744	-
Non-operating Income and Expenses	264,383	232,509	284,849	1,963,266	413,223	-
Net profit before tax	377,792	395,956	485,073	2,263,521	772,967	-
Net income (loss) from continuing operations for this period	378,820	364,492	450,883	2,070,986	648,948	-
Loss from Discontinued Operations	-	-	-	-	-	-
Net profit or loss for this period	378,820	364,492	450,883	2,070,986	648,948	-
Other comprehensive income for the period (after tax)	198,002	325,054	771,891	(40,203)	1,201,858	-
Total Comprehensive Income for the period	576,822	689,546	1,222,774	2,030,783	1,850,806	-
Net income (loss) attributable to owners of parent company	387,431	365,025	450,887	2,070,986	648,948	-
Profit (loss) attributable to non-controlling interests	(8,611)	(533)	(4)	0	0	-

Comprehensive Income Attributable to Owners of the Parent	585,433	690,082	1,222,778	2,030,783	1,850,806	-
Comprehensive Income Attributable to Non-controlling Interests	(8,611)	(536)	(4)	0	0	-
Earnings per Share (EPS)	1.29	1.22	1.51	6.92	2.17	-

Note: No financial report has been audited by CPAs for 2024 as of March 30, 2024.

**Condensed parent company only balance sheets - International
Financial Reporting Standards**

(In Thousands of New Taiwan Dollars)

Item \ Year		Financial Information for the Most Recent Five Years					Financial Data in the Current Year up to Financial Information as of March 30, 2024 (Note 1)
		2019	2020	2021	2022	2023	
Current Assets		2,395,518	2,801,686	4,130,242	4,295,356	3,985,637	-
Property, plant and equipment		295,788	271,270	351,627	367,646	349,399	-
Intangible assets		2,752	2,218	2,338	3,181	4,886	-
Other assets		9,182,173	9,401,918	9,832,508	11,470,880	12,889,426	-
Total Assets		11,876,231	12,477,092	14,316,715	16,137,063	17,229,348	-
Current liabilities	Before distribution	2,327,609	2,768,383	3,639,408	3,684,593	3,401,878	-
	After distribution	2,627,650	3,068,424	3,939,449	4,134,655	3,761,928	-
Non-current liabilities		844,230	621,345	666,189	709,528	680,409	-
Total Liabilities	Before distribution	3,171,839	3,389,728	4,305,597	4,394,121	4,082,287	-
	After distribution	3,471,880	3,689,769	4,605,638	4,844,183	4,442,337	-
Capital Stock		3,000,413	3,000,413	3,000,413	3,000,413	3,000,413	-
Capital Surplus		6,916	7,911	8,928	10,010	13,385	-
Retained Earnings	Before distribution	2,339,776	2,418,420	2,563,285	4,326,792	4,619,174	-
	After distribution	2,039,735	2,118,379	2,263,244	3,876,730	4,259,124	-
Other equity		3,370,461	3,673,794	4,451,666	4,418,901	5,527,263	-
Treasury Stock		(13,174)	(13,174)	(13,174)	(13,174)	(13,174)	-
TOTAL EQUITY	Before distribution	8,704,392	9,087,364	10,011,118	11,742,942	13,147,061	-
	After distribution	8,404,351	8,787,323	9,711,077	11,292,880	12,787,011	-

Note 1: No financial report has been audited by CPAs for 2024 as of March 30, 2024.

**Condensed parent company only statements of comprehensive
income - International Financial Reporting Standards**

(In Thousands of New Taiwan Dollars)

Item \ Year	Financial Information for the Most Recent Five Years					Financial Data in the Current Year up to Financial Information as of March 30, 2024 (Note)
	2019	2020	2021	2022	2023	
Operating Revenue	1,891,666	1,946,096	2,552,849	3,138,180	3,161,190	-
Gross Profit	466,750	490,775	580,255	770,396	830,148	-
Operating Profit (Loss)	17,579	69,776	119,244	203,420	252,086	-
Non-operating Income and Expenses	346,809	306,325	347,600	1,925,276	503,200	-
Net profit before tax	364,388	376,101	466,844	2,128,696	755,286	-
Net income (loss) from continuing operations Current net profit	387,431	365,025	450,887	2,070,986	648,948	-
Loss from Discontinued Operations	-	-	-	-	-	-
Net profit or loss for this period	387,431	365,025	450,887	2,070,986	648,948	-
Other comprehensive income for the period (after tax)	198,002	325,057	771,891	(40,203)	1,201,858	-
Total Comprehensive Income for the period	585,433	690,082	1,222,778	2,030,783	1,850,806	-
Earnings per Share (EPS)	1.29	1.22	1.51	6.92	2.17	-

Note: No financial report has been audited by CPAs for 2024 as of March 30, 2024.

(II) Names and audit opinions of CPAs for the 5 most recent years

2023	Deloitte & Touche CPA	Li-Huang Li, CPA Jui-Chuan Chih	Unmodified opinion
2022	Deloitte & Touche CPA	Li-Huang Li, CPA Jui-Chuan Chih	Unmodified opinion
2021	Deloitte & Touche CPA	Li-Huang Li, CPA Jui-Chuan Chih	Unmodified opinion
2020	Deloitte & Touche CPA	Li-Huang Li, CPA Jui-Chuan Chih	Unmodified opinion
2019	Deloitte & Touche CPA	Li-Huang Li, CPA Jui-Chuan Chih	Unmodified opinion

II. Financial Analysis in the Most Recent Five Years

(I) Financial analysis (consolidated) - International Financial Reporting Standards

Item \ Year		Financial Analysis in the Most Recent Five Years					Financial Data in the Current Year up to Financial Information as of March 30, 2024 (Note)
		2019	2020	2021	2022	2023	
Financial Structure (%)	Debt Ratio	32.35	33.08	37.95	29.68	29.10	-
	Ratio of long-term capital to property, plant, and equipment	3115.42	3124.38	2640.70	2047.56	4142.67	-
Solvency (%)	Current Ratio	81.00	81.88	97.65	133.87	120.51	-
	Quick Ratio	62.69	67.37	79.32	104.30	92.10	-
	Interest coverage ratio	14.45	15.14	18.10	63.12	15.46	-
Operating ability	Average collection turnover (times)	10.56	7.95	7.22	8.59	8.59	-
	Average days for cash receipts	34.56	45.91	50.55	42.49	42.49	-
	Average inventory turnover (times)	2.41	2.32	2.56	2.21	1.93	-
	Average payables turnover (times)	8.28	8.45	6.75	6.04	6.46	-
	Average days for sale of goods	151.45	157.33	142.57	165.15	189.11	-
	Property, plant, and equipment turnover rate (times)	4.72	6.71	7.44	6.39	6.87	-
	Total assets turnover (times)	0.17	0.16	0.19	0.20	0.19	-
Profitability	Return on assets (%)	3.19	2.92	3.19	12.79	3.93	-
	Return on equity (%)	4.42	4.09	4.72	19.04	5.21	-
	Ratio of pre-tax net income to paid-in capital(%)	12.59	13.20	16.17	75.44	25.76	-

	Profit margin ratio (%)	18.18	16.96	16.40	61.83	19.18	-
	Earnings per share (NTD)	1.29	1.22	1.51	6.92	2.17	-
Cash flows	Cash flow ratio (%)	4.84	4.16	-	7.45	6.44	-
	Cash flow adequacy ratio (%)	5.38	14.67	5.75	7.59	24.97	-
	Cash flow reinvestment ratio (%)	-	-	-	-	-	-
Leverage	Operating leverage	7.67	5.28	5.13	4.22	3.75	-
	Financial leverage	1.33	1.21	1.17	1.14	1.17	-
<p>Explain changes in financial ratios over the most recent two years. (Not required if the difference does not exceed 20%)</p> <ol style="list-style-type: none"> 1. The increase of ratio of long-term capital to property, plant, and equipment due to the decrease of net property, plant, and equipment. 2. The decrease in pre-tax net income was the main factor contributing to the decrease in the interest coverage ratio. 3. The decrease in return on assets, return on equity, net profit margin and earnings per share was mainly due to the decrease in net profit after tax. 4. The increase in cash flow adequacy ratio was mainly due to the increase in net cash inflow from operating activities. 							

Note: No financial report has been audited by CPAs for 2024 as of March 30, 2024.

Description I: If the denominator is zero or negative, the ratio will not be calculated.

The calculation formula for comprehensive analysis of financial data is as follows:

1. Financial structure
 - (1) Debt ratio = Total liabilities/total assets.
 - (2) Ratio of long-term capital to property, plant, and equipment = (Total equity + Non-current liabilities)/Net value of property, plant, and equipment.
2. Liquidity
 - (1) Current ratio = current assets/current liabilities
 - (2) Quick ratio = (Current assets - Inventory - Prepaid expenses) / Current liabilities.
 - (3) Interest coverage ratio = Income before tax and interest expenses/Interest expenses.
3. Operating ability
 - (1) Accounts receivable (including accounts receivable and notes receivable resulting from operation) turnover = Net sales/balance of average accounts receivable (including accounts receivable and notes receivable resulting from operation).
 - (2) Days sales outstanding = 365 / Average collection turnover.
 - (3) Inventory turnover = Cost of sales / Average inventories.
 - (4) Accounts payable (including accounts payable and notes payable generated from operations) turnover rate = Cost of goods sold/Average balance of accounts payable (including accounts payable and notes payable generated from operations) for each period.
 - (5) Average inventory turnover days = 365 / Inventory turnover.
 - (6) Property, plant and equipment turnover = Net sale/Average net property, factory and equipment.
 - (7) Total assets turnover = Net sales/Average total assets.
4. Profitability
 - (1) Asset return ratio = [Profit or loss after tax + Interest expenses × (1 - Tax rate)]/Average total assets.
 - (2) Return on Equity (ROE) = Net income (loss)/Average total equity.
 - (3) Net margin = Net income (loss) / Net sales.
 - (4) Earnings per share = (Income attributable to owners of parent company Preferred shares dividends Weighted average number of shares issued.)
5. Cash flow volume
 - (1) Cash flow ratio = Net cash generated by operating activities/Current liabilities.
 - (2) Cash flow adequacy ratio = Five-year sum of net cash flows generated from operating activities/Five-year sum of (capital expenditure, inventory additions and cash dividends).
 - (3) Cash reinvestment ratio = (Net cash flows from operating - cash dividends)/(Gross amount of property, plant, and equipment + Long term investment + Other non-current assets + Working capital).
6. Degree of leverage:
 - (1) Operating leverage = (Net operating revenue - Variable operating costs & expenses)/Operating income.
 - (2) Degree of Financial Leverage (DFL) = Operating profit/(Operating profit - Interest expenditures).
7. When the company's stocks are non-par value or have a per-share value other than NT\$10, the ratio of pre-tax net income to paid-in capital shall be calculated based on the equity attributable to owners of the parent company in the balance sheet.

(II) Parent company only financial analysis - International Financial Reporting Standards

<div> <div></div> <div>Year</div> <div>Item</div> </div>		Financial Analysis in the Most Recent Five Years					Financial Data in the Current Year up to Financial Information as of March 30, 2024 (Note)
		2019	2020	2021	2022	2023	
Financial Structure (%)	Debt ratio	26.71	27.17	30.07	27.23	23.69	-
	Ratio of long-term capital to property, plant, and equipment	3228.20	3578.98	3036.54	3387.08	3957.50	-
Solvency (%)	Current ratio	102.92	101.20	113.49	116.58	117.16	-
	Quick ratio	79.79	83.04	88.35	87.03	85.51	-
	Interest coverage ratio	18.53	18.78	22.81	62.34	15.97	-
Operating ability	Average collection turnover (times)	9.52	7.17	6.71	8.05	8.09	-
	Average days for cash receipts	38.36	50.90	54.40	45.34	45.13	-
	Average inventory turnover (times)	2.43	2.35	2.61	2.26	1.97	-
	Average payables turnover (times)	8.98	8.46	6.76	6.04	6.46	-
	Average days for sale of goods	150.21	155.32	139.85	161.5	185.28	-
	Property, plant, and equipment turnover rate (times)	5.89	6.86	8.20	8.73	8.82	-
	Total assets turnover (times)	0.16	0.16	0.19	0.21	0.19	-
Profitability	Return on assets (%)	3.46	3.14	3.49	13.78	4.13	-
	Return on equity (%)	4.54	4.10	4.72	19.04	5.21	-

	Ratio of pre-tax net income to paid-in capital(%)	12.14	12.54	15.56	70.95	25.17	-
	Profit margin ratio (%)	20.48	18.76	17.66	65.99	20.53	-
	Earnings per share (NTD)	1.29	1.22	1.51	6.92	2.17	-
Cash flows	Cash flow ratio (%)	3.28	2.65	1.00	7.16	5.06	-
	Cash flow adequacy ratio (%)	1.76	5.60	3.75	16.02	24.24	-
	Cash flow reinvestment ratio (%)	-	-	-	-	-	-
Leverage	Operating leverage	42.19	10.47	7.37	5.50	4.71	-
	Financial leverage	-	1.44	1.22	1.21	1.25	-
<p>Explain changes in financial ratios over the most recent two years. (Not required if the difference does not exceed 20%)</p> <ol style="list-style-type: none"> 1. The decrease in pre-tax net income was the main factor contributing to the decrease in the interest coverage ratio. 2. The increase in return on assets, return on equity, net profit margin and earnings per share was mainly due to the decrease in net profit after tax. 3. The increase in cash flow and cash flow adequacy ratio was mainly due to the increase in net cash inflow from operating activities. 							

Note: No financial report has been audited by CPAs for 2024 as of March 30, 2024.

Description I: If the denominator is zero or negative, the ratio will not be calculated.

The calculation formula for comprehensive analysis of financial data is as follows:

1. Financial structure
 - (1) Debt ratio = Total liabilities/total assets.
 - (2) Ratio of long-term capital to property, plant, and equipment = (Total equity + Non-current liabilities)/Net value of property, plant, and equipment.
2. Liquidity
 - (1) Current ratio = current assets/current liabilities
 - (2) Quick ratio = (Current assets - Inventory - Prepaid expenses) / Current liabilities.
 - (3) Interest coverage ratio = Income before tax and interest expenses/Interest expenses.
3. Operating ability
 - (1) Accounts receivable (including accounts receivable and notes receivable resulting from operation) turnover = Net sales/balance of average accounts receivable (including accounts receivable and notes receivable resulting from operation).
 - (2) Days sales outstanding = 365/ Average collection turnover.
 - (3) Inventory turnover = Cost of sales / Average inventories.
 - (4) Accounts payable (including accounts payable and notes payable generated from operations) turnover rate = Cost of goods sold/Average balance of accounts payable (including accounts payable and notes payable generated from operations) for each period.
 - (5) Average inventory turnover days = 365 / Inventory turnover.
 - (6) Property, plant and equipment turnover = Net sale/Average net property, factory and equipment.
 - (7) Total assets turnover = Net sales/Average total assets.
4. Profitability
 - (1) Asset return ratio = [Profit or loss after tax + Interest expenses × (1 - Tax rate)]/Average total assets.
 - (2) Return on Equity (ROE) = Net income (loss)/Average total equity.
 - (3) Net margin = Net income (loss) / Net sales.
 - (4) Earnings per share = (Net profits after tax-Preferred shares dividends) /Weighted average number of shares issued.
5. Cash flow volume
 - (1) Cash flow ratio = Net cash generated by operating activities/Current liabilities.
 - (2) Cash flow adequacy ratio = Five-year sum of net cash flows generated from operating activities/Five-year sum of (capital expenditure, inventory additions and cash dividends).
 - (3) Cash reinvestment ratio = (Net cash flows from operating - cash dividends)/(Gross amount of property, plant, and equipment + Long term investment + Other non-current assets + Working capital).
6. Degree of leverage:
 - (1) Operating leverage = (Net operating revenue - Variable operating costs & expenses)/Operating income.
 - (2) Degree of Financial Leverage (DFL) = Operating profit/(Operating profit - Interest expenditures).
7. When the company's stocks are non-par value or have a per-share value other than NT\$10, the ratio of pre-tax net income to paid-in capital shall be calculated based on the equity attributable to owners of the parent company in the balance sheet.

III. Audit Committee's Review Report on Financial Statements

Audit Report of Auditing Committee, Shinkong Textile Co., Ltd.

The Board of Directors prepare and submit the Company's business report, financial statements and earnings distribution plan for the year of 2023, including the financial statements and consolidated financial statements, which are jointly audited by CPA Li-Huang Li and CPA Jui-Chuan Chih from Deloitte & Touche and issued the audit report.

The above-mentioned statements have been reviewed by us, the Audit Committee of the Company. We have not found any inconsistencies with applicable laws in our review. Therefore, we, the Audit Committee, hereby issue this report in compliance with Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act. Please review.

Sincerely,

Shinkong Textile Co., Ltd.'s 2024 Annual Shareholders' Meeting

Convener of the Audit Committee: David Ching

March 8, 2024

IV. Latest Audited Consolidated Financial Statements

Please refer to page 189.

V. Latest Audited Standalone Financial Statements

Please refer to page 290.

VI. Effect on the Financial Position of Any Financial Difficulties Experienced by the Company and Its Affiliates in the Most Recent Fiscal Year and during the Current Fiscal Year Up to the Date of Publication of the Annual Report: None.

Chapter 7. Analysis of Financial Status, Financial Performance and Risk Matters

I. Financial Status

Comparative Analysis of Financial Position for the Most Recent Two Years

(In Thousands of New Taiwan Dollars)

Item \ Year	2023	2022	Difference	
			Amount	%
Current Assets	4,678,182	5,072,892	(394,710)	-7.78%
Investments	7,539,159	5,628,081	1,911,078	33.96%
Property, plant and equipment	353,929	630,474	(276,545)	-43.86%
Right-of-use assets	153,864	179,693	(25,829)	-14.37%
Investment properties	5,585,247	5,076,581	508,666	10.02%
Other Intangible Assets	4,958	3,270	1,688	51.62%
Other Assets	228,838	107,656	121,182	112.56%
Total Assets	18,544,177	16,698,647	1,845,530	11.05%
Current Liabilities	3,882,051	3,789,321	92,730	2.45%
Non-current Liabilities	1,515,065	1,166,384	348,681	29.89%
Total Liabilities	5,397,116	4,955,705	441,411	8.91%
Share capital	3,000,413	3,000,413	0	0.00%
Capital Surplus	13,385	10,010	3,375	33.72%
Retained Earnings	4,619,174	4,326,792	292,382	6.76%
Other Equity	5,527,263	4,418,901	1,108,362	25.08%
Treasury Stock	(13,174)	(13,174)	0	0.00%
Total equity attributable to owners of the Parent	13,147,061	11,742,942	1,404,119	11.96%
Non-controlling Interests	-	-	-	-
Total Equity	13,147,061	11,742,942	1,404,119	11.96%
<p>Explanations for difference amounted to 1% of total assets, i.e., approximately NT\$185,441 thousand and a percent variance of 20% are as follows:</p> <ol style="list-style-type: none"> 1. The increase in investment was due to the increase in financial assets that are measured at fair value through other comprehensive income. 2. The decrease in property, plant and equipment was mainly due to the reclassification of the under-construction office building as investment property. 3. The increase in non-current liabilities was mainly due to the increase in construction financing for the under-construction office building. 4. The increase in other equity was mainly due to the increase in unrealized gains on financial assets measured at fair value through other comprehensive income. 				

II. Financial Performance

(I) Financial Performance Analysis for the Most Recent Two Years

(In Thousands of New Taiwan Dollars)

Item \ Year	2023	2022	Change, by Amount	Change (%)
Net Operating Revenue	3,382,945	3,349,289	33,656	1.00%
Operating Costs	2,389,671	2,431,251	(41,580)	-1.71%
Gross Profit	993,274	918,038	75,236	8.20%
Operating Expenses	633,530	618,188	15,342	2.48%
Profit from operations	359,744	300,255	59,489	19.81%
Non-operating Income and Expenses	413,223	1,963,266	(1,550,043)	-78.95%
Net profit before tax	772,967	2,263,521	(1,490,554)	-65.85%
Income tax benefit (expense)	(124,019)	(192,535)	68,516	-35.59%
Current net profit	648,948	2,070,986	(1,422,038)	-68.66%

1. Main reasons for material changes: Significant changes in non-operating income and expenses, pre-tax net income, and current net profit, mainly due to the disposal of investment properties in 2022.
2. The expected sales volume and its basis, possible impact on the Company's future financial business and response plan: given the operating conditions and experience, the sales volume in 2024 is expected about 18,060 thousand yards.

III. Cash Flow

(In Thousands of New Taiwan Dollars)

Year	Cash at Beginning of Year Balance	Net cash inflow from operating activities throughout the year	Net cash outflow from investment activities throughout the year	Net cash outflow from financing activities throughout the year	Effects of exchange rate changes on cash and cash equivalent	Cash balance	Remedy measures for insufficient cash	
							Investment Plan	Financing Plan
2023	889,783	249,973	548,381	(77,315)	(115)	1,610,707	—	—
<p>1. Analysis of variance in cash flows for the current year</p> <p>(1) Business Activities: Net cash inflow amounted to NT\$249,973 thousand, primarily due to post-tax net profit and depreciation and amortization expenses.</p> <p>(2) Investing Activities: Net cash inflow amounted to NT\$548,381 thousand, primarily due to the disposal of financial assets measured at amortized cost.</p> <p>(3) Financing activities: the net cash outflow was NT\$798.200 thousand, mainly due to the decrease of short-term notes payable.</p> <p>2. Improvement plans for liquidity shortage: N/A.</p> <p>3. Cash flow analysis for the next year: The cash flows from operating activities, investing activities, and financing activities are expected to be within normal range, which will support the Company's regular operations.</p>								

IV. Effect on Financial Operations of Any Major Capital Expenditures during the Most Recent Fiscal Year: None.

V. Reinvestment Policy for the Most Recent Fiscal Year, Main Reasons for Profits/Losses Generated Thereby, Plan for Improving Re-investment Profitability, and Investment Plans for the Coming Year

The Company's reinvestment policy in the most recent year was to increase the Company's investment scope, implement diversified operations and select appropriate investment targets. Currently, the reinvestments as a whole is profitable. The Company invest In subsidiary company in Indonesia in 2024.

VI. Risk Analysis and Assessment

The risks in the most recent year up to the publication date of the annual report are listed below:

(I) Impact of Interest Rates and Exchange Rate Fluctuations and Inflation on the Company's Profit and Loss, and Future Response Measures:

1. Changes in interest rates:

- (1) Impact of interest rate changes on the Company's profit or loss

For risk assessment and sensitivity analysis on financial risk, market risk, interest rate risk and foreign exchange risk, please refer to page 262-263 of the annual report.

- (2) Future response measures for interest rate changes

The status of the international labor market, inflationary pressures, inflation expectations, and developments in the international situation all affect the interest rate curve. Currently, the Company primarily relies on short-term financing to obtain lower funding costs, while closely monitoring changes in monetary policy and financial market interest rates.

2. Changes in foreign exchange rates:

- (1) Impact of exchange rate changes on the Company's profit or loss

For risk assessment and sensitivity analysis on financial risk, market risk, interest rate risk and foreign exchange risk, please refer to page 261-262 of the annual report.

- (2) Future response measures for exchange rate changes

The Company converts foreign currencies received based on currency trends and capital demands at the time. It also adjusts deposits denominated in foreign currencies to mitigate the impact of exchange rate changes on the Company's operation. Also, the Company constantly monitors the global political economy and gathers exchange rate data to determine their impact on the overall profitability and adopts appropriate actions.

3. Inflation:

- (1) Impact of inflation on the Company's profit or loss

The Company closely monitors inflationary conditions at all times. According to the statistics released by the Directorate-General of Budget, Accounting and Statistics of the Executive Yuan, the average Consumer Price Index (CPI)

increased by 2.49% in 2023. It is forecasted that the average Consumer Price Index (CPI) will increase by 1.85% in 2024. The rise in raw material prices and other costs resulting from inflation is projected to lead to a fluctuation of around NT\$18,470 thousand in the procurement amount of the Company and its subsidiaries for every 1% increase or decrease in the inflation rate.

(2) Future response measures for inflation

The Company will adjust inventory level and product prices based on market conditions in a timely manner and strive to lower costs in order to reduce the impact on profitability.

(II) Policy regarding High-risk Investments, Highly Leveraged Investments, Loans to Other Parties, Endorsements/Guarantees, and Derivatives Transactions, Main Reasons for the Profit (Loss) Generated Thereby, and Response Measures to Be Taken in the Future:

1. High-risk and highly leveraged investments

The Company and its subsidiaries did not engage in any high-risk and highly-leveraged investments in 2023.

2. Loans to others, endorsement/guarantee and derivative product trading

When the Company and its subsidiaries engage in lending funds to other parties, endorsement and guarantee and derivative trading, the Company would, in addition to complying with relevant procedures, make a public announcement and filing in accordance with the regulations of the competent authorities:

(1) Loans to others: as of the publication date of the annual report, the Company only loans to its subsidiaries.

(2) Endorsement and guarantee: as of the publication date of the annual report, the Company only provides endorsements and guarantees to its affiliated enterprises recognized by the equity method and the 100% wholly-owned subsidiaries only provide endorsements and guarantees to the Company.

(3) Derivatives product trading: the Company and its subsidiaries did not engage in derivatives product trading in 2023.

(III) Future R&D Projects and R&D Expenditures to be Invested:

The Company plans to invest in the development of high-tech functional fabric in the coming year. The estimated expenses during the research and development period are projected to be NT\$34,731 thousand.

(IV) Impact of major policy and legal changes at home and abroad on the financial business of the Corporation and corresponding measures:

The Company's finance and business are in compliance with relevant laws and regulations. As of the date of this annual report, changes in major policies and laws and regulations both at home and abroad did not have material impacts on the Company's finance and business. In the future, the Company will also obtain relevant information on a timely basis and develop necessary countermeasures to meet the operational needs.

(V) Impact of changes in technology (including information and communication security risks) and industry on the Company's financial operations, and response measures: None.

(VI) Effect on the Crisis Management of Changes in the Corporate Image, and Measures to Be Taken in Response:

The Company's operation has always adhered to the principles of prudence and integrity in building up the strength of its management team. It has maintained a good corporate image without significant changes.

(VII) Expected Benefits and Possible Risks Associated with Any Mergers and Acquisitions, and Measures to Be Taken in Response: None.

(VIII) Expected Benefits and Possible Risks Associated with Any Plant Expansion, and Measures to Be Taken in Response: None.

(IX) Risks Associated with Any Consolidation of Sales or Purchasing Operations, and Measures to Be Taken in Response: None.

(X) Effect on and Risk to the Company in the Event a Major Quantity of Shares Belonging to a Director or Shareholder Holding Greater than a 10% Stake in the Company Has Been Transferred or Has Otherwise Changed Hands, and Measures to Be Taken in Response: None.

(XI) Effect on and Risk to the Company Associated with Any Change in Governance Personnel or Top Management, and Measures to Be Taken in Response: None.

(XII) Legal and non-legal events, the Company shall list the final judgment, ongoing major litigation, non-litigation or administrative proceeding involving Company and Company's directors, supervisors, General Manager, substantial representative, and shareholders that hold more than 10% of the Company's stock, which will have a material impact on shareholders' interest or stock price: None.

(XIII) Other significant risks and response measures: None

VII. Other Important Matters: None.

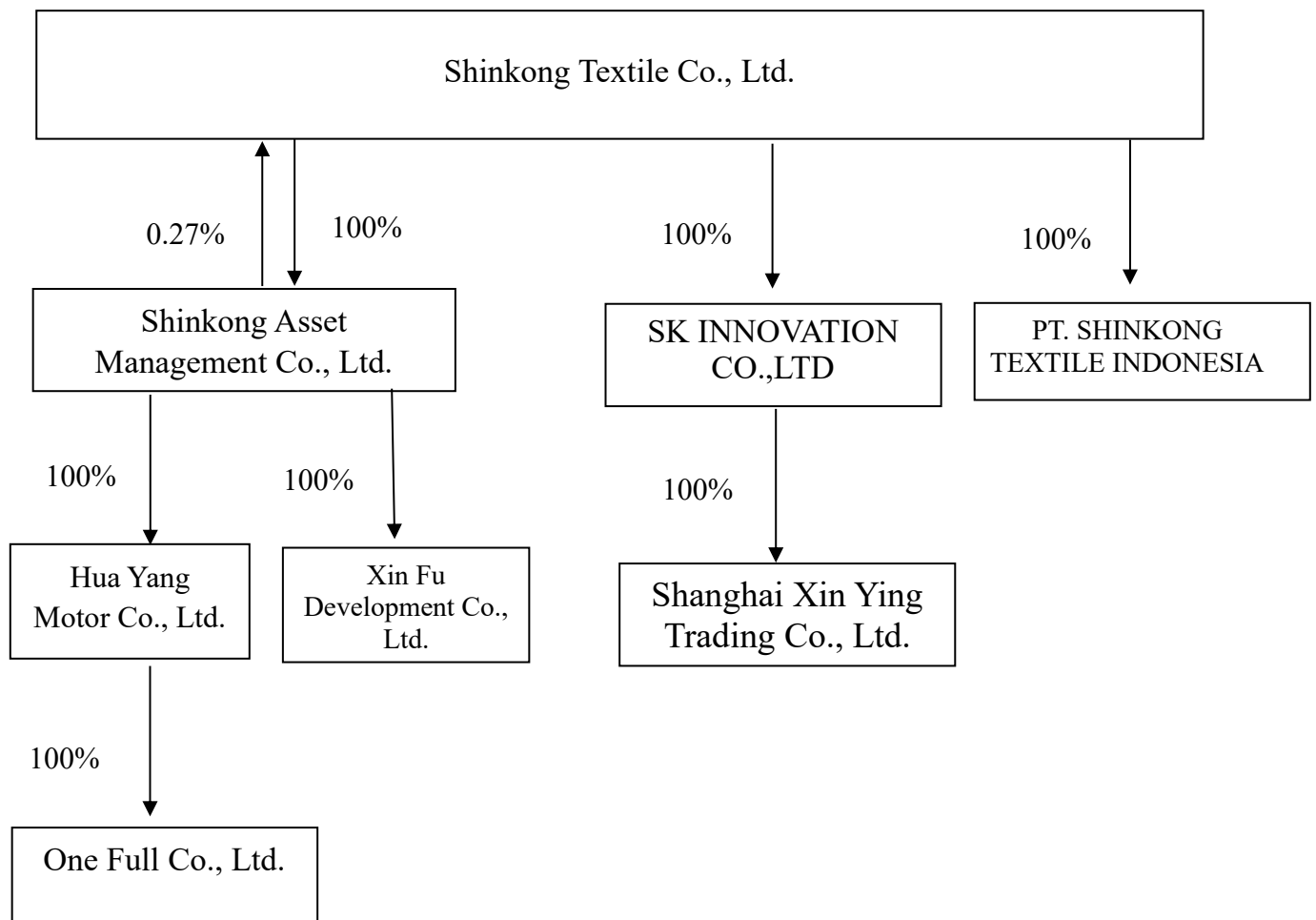
Chapter 8. Special Notes

I. Information on Affiliates

(I) Consolidated business report of the affiliates

1. Chart of affiliates

Controlling companies with shareholdings and de facto control and affiliates



2. Basic information of affiliates

(In Thousands of New Taiwan Dollars)

Name of Affiliate	Date of Incorporation	Address	Paid-in Capital	Main Business or Products
Shinkong Textile Co., Ltd.	1955.06.06	11, 12, 15F, No. 44, Zhongshan N. Rd., Taipei City	3,000,413	Production and sale of a variety of fabrics and finished fabrics; agency for the import and sale of garments, and the leasing and sale of buildings and public housing units constructed by builders commissioned by the Company
Shinkong Asset Management Co., Ltd.	1990.09.06	15F, No. 44, Zhongshan N. Rd., Taipei City	980,000	Development and rental of housing, building and industrial factory, development of specific areas and investment, development and construction in public construction
SK INNOVATION CO., LTD.	2012.03.15	Portcullis Trust Net Chambzs, P.O. Box1225, Apia, Samoa	21,424	General investment
Shanghai Xin Ying Trading Co., Ltd.	2012.08.17	Rm. 402, Building 10, No.258, Chengjiaqiao Rd., Minghang District, Shanghai, China	21,362	Garments, leather suitcases, daily commodities, craft gifts (except for cultural relics) and packaging materials.
Xin Fu Development Co., Ltd.	2015.02.09	15F, No. 44, Zhongshan N. Rd., Taipei City	1,065,000	Development and rental of housing, building and industrial factory, and development of specific areas
Hua Yang Motor Co., Ltd.	2015.02.10	15F, No. 44, Zhongshan N. Rd., Taipei City	337,000	Wholesale of motor vehicles, retail sale of auto and motorcycle parts and accessories, automobile repair, other automobile services, leasing, and manufacturing of motor vehicles/motorcycles and their parts
One Full Co., Ltd.	2020.09.29	11F, No. 44, Zhongshan N. Rd., Taipei City	44,000	Retail sale of cloths, retail sale, retail sale without storefront, other integrated retail sale, and international trade.

3. Shareholders in common of the Company and its affiliates with deemed control and subordination: None.

4. Industries in which the affiliates operate:

Please refer to 2. Basic information of affiliates.

5. Information of the directors, supervisors and presidents of the affiliates:

(Shares, %)

Name of Affiliate	Title	Name or Representative	Shareholding	
			Number of Shares	Ownership %
Controlling company: Shinkong Textile Co., Ltd.	Chairman Director	Ji Zhen Co., Ltd. Representative: Hsing-En Wu Representative: Chin-Fa Chiu	19,650,000	6.549%
	Director	Haung En Co., Ltd. Representative: Hsin-Hung Wu	5,563,669	1.854%
	Director	Shin Kong Wu Tung Ching Foundation Representative: Po-Han Lin	51,660	0.017%
	Independent Director	David Ching	0	-
	Independent Director	Mao-Jung Wang	0	-
	Independent Director	Wei-Kan, Chen	0	-
	President	Chin-Fa Chiu and Jui-Nan Chang	0	-
Affiliates: Shinkong Asset Management Co., Ltd.	Chairman	Shinkong Textile Co., Ltd. Representative: Hsing-En Wu	98,000,000	100.00%
	Director	Representative: Hsin-Hung Wu		
	Director	Representative: Tong-Sheng Wu		
	Director	Representative: Hsin-Tung Wu		
	Director	Representative: Shu-Ti Chang		
	Supervisor	Representative: Tung-Sheng Wu		
	Supervisor	Representative: Shih-Chi Hung		
	Supervisor	Representative: Shih-I Cheng		
	Supervisor	Representative: Cheng-Ping Huang		

Name of Affiliate	Title	Name or Representative	Shareholding	
			Number of Shares	Ownership %
SK INNOVATION CO., LTD.	Director	Shinkong Textile Co., Ltd. Representative: Chin-Fa Chiu	700,000	100.00%
Shanghai Xin Ying Trading Co., Ltd.	Director Supervisor	Shinkong Textile Co., Ltd. Representative: Chin-Fa Chiu Representative: Shu-Ti Chang	-	100.00%
Xin Fu Development Co., Ltd.	Chairman	Shinkong Asset Management Co., Ltd. Representative: Hsing-En Wu	106,500,000	100.00%
Hua Yang Motor Co., Ltd.	Chairman	Shinkong Asset Management Co., Ltd. Representative: Hsing-En Wu	33,700,000	100.00%
One Full Co., Ltd.	Chairman Director Director Supervisor	Hua Yang Motor Co., Ltd. Representative: Shu-Ti Chang Representative: Hsing-En Wu Representative: Jen-Chung Wang Representative: Cheng-Ping Huang	4,400,000	100.00%

6. Operational highlights of affiliates

(In Thousands of New Taiwan Dollars)

Name of Affiliate	Capital	Total Assets	Total Liabilities	Net Worth	Operating Revenue	Operating Income	Net Income (After tax)	Earnings per share (NT\$) (After tax)
Shinkong Textile Co., Ltd.	3,000,413	17,229,348	4,082,287	13,147,061	3,161,190	252,086	648,948	2.17
Shinkong Asset Management Co., Ltd.	980,000	3,667,653	1,079,367	2,588,286	127,380	54,672	99,796	1.02
SK INNOVATION CO., LTD.	21,424	3,712	-	3,712	-	-	(4,241)	(6.06)
Shanghai Xin Ying Trading Co., Ltd.	21,362	5,458	1,750	3,708	1,650	(4,256)	(4,241)	-
Xin Fu Development	1,065,000	1,178,944	100,791	1,078,153	7,440	4,280	3,378	0.03

Co., Ltd.								
Hua Yang Motor Co., Ltd.	337,000	533,387	142,956	390,431	89,466	63,150	47,181	1.40
One Full Co., Ltd.	44,000	34,549	1,707	32,842	2,877	(10,188)	(10,584)	(2.41)

(II) Consolidated financial statements of affiliates

Declaration of Consolidation of Financial Statements of Affiliates

The entities that are required to be included in the combined financial statements of Shinkong Textile Co., Ltd. as of and for the year ended December 31, 2023, under the "Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises" are the same as those included in the consolidated financial statements prepared in conformity with the International Financial Reporting Standards No. 10. In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Therefore, Shinkong Textile Co., Ltd. does not prepare a separate set of combined financial statements.

Sincerely,

Company name: Shinkong Textile Co., Ltd.

Chairman: Hsing-En Wu

March 8, 2024

(III) Affiliation reports: Not applicable

II. Private Placement of Securities in the Most Recent Year and as of the Date of this Annual Report: None.

III. The Company's Shares Held or Disposed of by Subsidiaries in the Most Recent Year and as of the Date of this Annual Report:

(In Thousands of New Taiwan Dollars, Shares, %)

Name of subsidiary	Paid-in Capital	Source of	Shareholding % of the Company	Date of Acquisition or Disposal	Number and Amount of Shares	Number and Amount of Shares	Investment Income (Loss)	Number and Amount of Shares as of the Date of this Annual Report	Pledge	Endorsements/Guarantees to Subsidiary	Lending of Funds to Subsidiary
Shinkong Asset Management Co., Ltd.	980,000	—	100.00%	—	—	—	—	803,829 shares NT\$13,174 thousand	—	—	—

IV. Other Necessary Supplement:

(I) Reviewing Resolution Items of the 2023 Annual General Meeting and Implementation Status

1. Adopt the 2022 Business Report and Financial Statements
2. Adopt the proposal on the distribution of surplus for 2022

The record date was set to be September 1, 2023. Distribution was completed by September 22, 2023 pursuant to the resolution of the shareholders' meeting. (Each share was entitled to cash dividend of NT\$1.5 and the total cash dividends to shareholders amounted to NT\$450,061,920.)

3. Approve the amendments to the Company's Articles of Incorporation.

Implementation status: The amended Articles of incorporation was disclosed at the Company's website and the registration was completed on May 26, 2023 per approval from the Ministry of Economic Affairs.

4. Adopt the proposal on amending the Procedures for the Acquisition or Disposal of Assets of the Company.

Uploaded to the website of the Market Observation Post System according to relevant regulations.

5. General Election of Directors
6. Pass the lifting of newly elected Directors from the non-compete restrictions resolution.

(II) Penalties imposed and the major defects and corrective action thereof in

the most recent fiscal year and as of the publication date of this annual report: None.

- V. Any Events as of the Date of this Annual Report that had Significant Impacts on Shareholders' Right or Security Prices as Stated in Subparagraph 2 of Paragraph 3 of Article 36 of the Securities and Exchange Act: None.

Consolidated Financial Statements of Affiliates

For the fiscal year of 2023 (from January 1, 2023 to December 31, 2023), the companies required to be included in the consolidated financial statements of affiliates of the Company under the Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises are all the same as companies required to be included in the consolidated financial statements of parent and subsidiary companies as provided in Financial Accounting Criteria Gazette No. 10, and relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies. The Company has placed a declaration to this effect on the first page of the consolidated financial statements of parent and subsidiary companies, and thus does not prepare separate consolidated financial statements of affiliates.

Declaration

Name of Company: Shinkong Textile Co., Ltd. and Subsidiaries

Person in Charge: Hsing-En Wu

March 8, 2024

Independent Auditors' Report

To Shinkong Textile Co., Ltd.

Audit opinion

We have audited the consolidated balance sheets of Shinkong Textile Co., Ltd. and its subsidiaries (hereinafter referred to as the "Group") as of December 31, 2023 and 2022, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the year ended December 31, 2023 and 2022, and notes to consolidated financial statements (including a summary on significant accounting policies).

Based on our opinions, the accompanying consolidated financial statements do present fairly, in all material respects, the consolidated financial position of Shinkong Textile Co., Ltd. and its subsidiaries as of December 31, 2023 and 2022, and of its consolidated financial performance and its consolidated cash flows for the year ended December 31, 2023 and 2022, in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, International Financial Reporting Standards, International Accounting Standards, their interpretations and announcements endorsed and issued into effect by the Financial Supervisory Commission.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of Shinkong Textile Co., Ltd. and its subsidiaries in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are ones that were of most significance in our audit of the consolidated financial statements of Sinkong Textile Co., Ltd. and subsidiaries for the year ended December 31, 2023 based on our professional judgment. These matters have been covered during the audit of the overall consolidated financial statements and in forming the audit opinion. We will not express a separate opinion on these matters.

Key audit matters of the consolidated financial statements of Shinkong Textile Co., Ltd. and subsidiaries for the year ended December 31, 2023 are as follows:

Authenticity of Sales Revenue from Specific Customers

Shinkong Textile Co., Ltd. and subsidiaries' principal source of income is the sale of various types of fabrics and finished clothing, apparel agency and property leasing. Significant risk is presumed in revenue recognition in view of significance and auditing standards. In our opinion, the authenticity on revenue from customers with specific trading terms has significant impact on the financial statements. Thus, we identified the authenticity of sales revenue from specific customers as a key audit matter. For the accounting policies related to revenue recognition, please refer to Note IV(XIII) of the notes to the consolidated financial statements.

Our corresponding audit procedures were as follows:

1. We understood and tested the design and implementation of internal controls in relation to the recognition of sales revenue from specific customers.
2. From the sales details of specific customers above, we selected proper samples to inspect the relevant supporting documents and tested the collection conditions to confirm the authenticity of sales transactions.

Other Matters

Shinkong Textile Co., Ltd. has prepared the parent company only financial statements for the years of 2023 and 2022. We have issued an audit report with an unqualified opinion, which is available for reference.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

The responsibilities of management are to prepare the consolidated financial statements with fair presentation in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, International Financial Reporting Standards, International Accounting Standards, their interpretations and announcements endorsed and issued into effect by the Financial Supervisory Commission, and maintain necessary internal controls associated with the preparation in order to ensure the consolidated financial statements are free from material misstatement, whether due to fraud or error.

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

Those charged with governance, including the audit committee, are responsible for overseeing Shinkong Textile Co., Ltd. and subsidiaries' financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

auditors' report. However, future events or conditions may cause Shinkong Textile Co., Ltd. and subsidiaries to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the relevant notes, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the audit within the Group. We remain solely responsible for our audit opinion of the Group.

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

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

From the matters communicated with those charged with governance, we determine the key audit matters of Shinkong Textile Co., Ltd. and subsidiaries' consolidated financial statements for the year ended December 31, 2023. We describe these matters in our independent auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter shall not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Deloitte & Touché

CPA Li-Huang Li

CPA Jui-Chuan Chih

Securities and Futures Commission
Approval No.

Tai-Cai-Zheng-6-0930128050

Financial Supervisory Commission Approval
No.

Jin-Guan-Zheng-Shen-1060023872

March 8, 2024

Shinkong Textile Co., Ltd. and Subsidiaries

Consolidated Balance Sheets

December 31, 2023 and 2022

Unit: In Thousands of New Taiwan Dollars

Code	Assets	December 31, 2023		December 31, 2022	
		Amount	%	Amount	%
	Current assets				
1100	Cash and cash equivalents (Notes 6, 30 and 31)	\$ 1,610,707	9	\$ 889,783	5
1110	Financial assets at fair value through profit or loss - current (Notes 7, 30 and 31)	451,193	2	568,830	4
1120	Financial assets at fair value through other comprehensive income - current (Notes 8, 30 and 31)	1,054,662	6	1,625,098	10
1136	Financial assets at amortized cost - current (Notes 9, 30 and 31)	-	-	500,000	3
1150	Notes receivable (Notes 10, 24 and 30)	11,024	-	9,907	-
1160	Notes receivable - related parties, net (Notes 10, 24, 30 and 31)	7	-	8	-
1170	Accounts receivable (Notes 10, 24 and 30)	360,350	2	292,467	2
1180	Accounts receivable - related parties, net (Notes 10, 24, 30 and 31)	67,074	-	46,685	-
1200	Other receivables (Notes 10 and 30)	15,168	-	16,603	-
1220	Current tax assets (Note 26)	2,100	-	-	-
130X	Inventories (Note 11)	1,007,469	5	1,058,167	6
1410	Prepayments (Notes 18 and 31)	95,417	1	62,371	-
1470	Other current assets (Note 18)	3,011	-	2,973	-
11XX	Total current assets	<u>4,678,182</u>	<u>25</u>	<u>5,072,892</u>	<u>30</u>
	Non-current assets				
1517	Financial assets at fair value through other comprehensive income - non-current (Notes 8, 30 and 32)	6,141,485	33	4,907,353	29
1535	Financial assets at amortized cost - non-current (Notes 9, 30 and 31)	12,700	-	1,800	-
1550	Investments accounted for using the equity method (Note 13)	1,384,974	8	718,928	4
1600	Property, plant and equipment (Notes 14 and 28)	353,929	2	630,474	4
1755	Right-of-use assets (Note 15)	153,864	1	179,693	1
1760	Investment properties (Notes 16, 31 and 32)	5,585,247	30	5,076,581	31
1780	Other intangible assets (Note 17)	4,958	-	3,270	-
1840	Deferred tax assets (Note 26)	36,755	-	29,691	-
1990	Other non-current assets (Notes 18 and 31)	192,083	1	77,965	1
15XX	Total non-current assets	<u>13,865,995</u>	<u>75</u>	<u>11,625,755</u>	<u>70</u>
1XXX	Total Assets	<u>\$ 18,544,177</u>	<u>100</u>	<u>\$ 16,698,647</u>	<u>100</u>
	Liabilities and equity				
	Current liabilities				
2100	Short-term borrowings (Notes 19, 30 and 32)	\$ 3,046,000	16	\$ 3,070,000	19
2110	Short-term notes payable (Notes 19 and 30)	99,931	1	-	-
2130	Contract liabilities - current (Notes 24, 30 and 31)	22,346	-	29,805	-
2150	Notes payable (Notes 20 and 30)	165,424	1	222,899	1
2160	Notes payable - related parties (Notes 20, 30 and 31)	39,540	-	36,641	-
2170	Accounts payable (Notes 20 and 30)	125,717	1	104,305	1
2180	Accounts payable - related parties (Notes 20, 30 and 31)	10,339	-	6,612	-
2200	Other payables (Notes 21 and 30)	185,964	1	188,898	1
2220	Other payables - related parties (Notes 21, 30 and 31)	2,302	-	1,822	-
2230	Current tax liabilities (Note 26)	131,975	1	58,559	1
2280	Lease liabilities - current (Notes 15, 28 and 31)	48,632	-	45,868	-
2399	Other current liabilities (Note 21)	3,881	-	23,912	-
21XX	Total current liabilities	<u>3,882,051</u>	<u>21</u>	<u>3,789,321</u>	<u>23</u>
	Non-current liabilities				
2540	Long-term borrowings (Notes 19, 30 and 32)	402,780	2	159,082	1
2570	Deferred tax liabilities (Note 26)	759,323	4	761,682	4
2580	Lease liabilities - non-current (Notes 15, 28 and 31)	110,156	1	138,926	1
2600	Other non-current liabilities (Notes 21 and 31)	242,806	1	106,694	1
25XX	Total non-current liabilities	<u>1,515,065</u>	<u>8</u>	<u>1,166,384</u>	<u>7</u>
2XXX	Total liabilities	<u>5,397,116</u>	<u>29</u>	<u>4,955,705</u>	<u>30</u>
	Equity attributable to owners of the Company (Note 23)				
	Share capital				
3110	Common shares	3,000,413	16	3,000,413	18
3200	Capital surplus	13,385	-	10,010	-
	Retained earnings				
3310	Legal surplus reserve	748,625	4	542,270	3
3320	Special reserve	1,006,356	5	1,006,548	6
3350	Unappropriated earnings	2,864,193	16	2,777,974	17
3300	Total retained earnings	<u>4,619,174</u>	<u>25</u>	<u>4,326,792</u>	<u>26</u>
	Other equity				
3410	Exchange differences on translating the financial statements of foreign operations	(2,773)	-	(1,261)	-
3420	Unrealized gains (losses) on financial assets at fair value through other comprehensive profit and loss	5,530,036	30	4,420,162	26
3400	Total other equity	<u>5,527,263</u>	<u>30</u>	<u>4,418,901</u>	<u>26</u>
3500	Treasury share	(13,174)	-	(13,174)	-
31XX	Total equity attributable to owners of the Company	<u>13,147,061</u>	<u>71</u>	<u>11,742,942</u>	<u>70</u>
3XXX	Total equity	<u>13,147,061</u>	<u>71</u>	<u>11,742,942</u>	<u>70</u>
	Total Liabilities and Equity	<u>\$ 18,544,177</u>	<u>100</u>	<u>\$ 16,698,647</u>	<u>100</u>

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

Shinkong Textile Co., Ltd. and Subsidiaries
Consolidated Statements of Comprehensive Income
For the Years Ended December 31, 2023 and 2022
Unit: In Thousands of New Taiwan Dollars, Except Earnings Per Share in New Taiwan Dollars

Code		2023		2022	
		Amount	%	Amount	%
	Operating revenue (Notes 24 and 31)				
4110	Sales revenue	\$ 3,007,833	89	\$ 2,981,065	89
4300	Rental revenue	374,364	11	367,621	11
4800	Other operating income	748	-	603	-
4000	Total operating revenue	<u>3,382,945</u>	<u>100</u>	<u>3,349,289</u>	<u>100</u>
	Operating costs (Notes 11, 25 and 31)				
5110	Cost of goods sold	(2,297,353)	(68)	(2,326,422)	(70)
5300	Rental costs	(92,318)	(2)	(104,829)	(3)
5000	Total operating costs	<u>(2,389,671)</u>	<u>(70)</u>	<u>(2,431,251)</u>	<u>(73)</u>
5900	Gross profit	<u>993,274</u>	<u>30</u>	<u>918,038</u>	<u>27</u>
	Operating expenses (Notes 25 and 31)				
6100	Selling and marketing	(452,404)	(14)	(438,524)	(13)
6200	General and administrative	(146,182)	(4)	(151,271)	(4)
6300	Research and development	(34,949)	(1)	(29,687)	(1)
6450	Expected credit loss and gain	5	-	1,294	-
6000	Total operating expenses	<u>(633,530)</u>	<u>(19)</u>	<u>(618,188)</u>	<u>(18)</u>
6500	Other income and expenses, net	<u>-</u>	<u>-</u>	<u>405</u>	<u>-</u>
6900	Net operating income	<u>359,744</u>	<u>11</u>	<u>300,255</u>	<u>9</u>
	Non-operating income and expenses (Notes 25 and 31)				
7100	Interest income	23,183	1	6,610	-
7010	Other income	370,408	11	365,057	11
7020	Other gains and losses	(5,238)	-	1,554,277	47
7050	Finance costs	(53,452)	(2)	(36,438)	(1)
7060	Share of profit (loss) of associates and joint ventures accounted for using the equity method	<u>78,322</u>	<u>2</u>	<u>73,760</u>	<u>2</u>
7000	Total non-operating income and expenses	<u>413,223</u>	<u>12</u>	<u>1,963,266</u>	<u>59</u>

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Code		2023		2022	
		Amount	%	Amount	%
7900	Net income before tax	\$ 772,967	23	\$ 2,263,521	68
7950	Income tax expense (Note 26)	(124,019)	(4)	(192,535)	(6)
8200	Net income in the period	<u>648,948</u>	<u>19</u>	<u>2,070,986</u>	<u>62</u>
	Other comprehensive income				
8310	Items that will not be reclassified subsequently to profit or loss:				
8311	Remeasurement of defined benefit plans	(314)	-	4,920	-
8316	Unrealized gains (losses) on investments in equity instruments at fair value through other comprehensive income	1,120,905	33	(19,367)	-
8320	Share of other comprehensive income of associates and joint ventures accounted for using the equity method	82,779	3	(31,133)	(1)
8360	Items that may be reclassified subsequently to profit or loss:				
8361	Exchange differences on translating the financial statements of foreign operations	(115)	-	164	-
8370	Share of other comprehensive income of associates and joint ventures accounted for using the equity method	(1,775)	-	6,556	-
8399	Income tax relating to items that may be reclassified subsequently to profit or loss	<u>378</u>	<u>-</u>	(<u>1,343</u>)	<u>-</u>
8300	Total other comprehensive income, net of tax	<u>1,201,858</u>	<u>36</u>	(<u>40,203</u>)	(<u>1</u>)
8500	Total comprehensive income	<u>\$ 1,850,806</u>	<u>55</u>	<u>\$ 2,030,783</u>	<u>61</u>
	Net income attributable to:				
8610	Owners of the Company	\$ 648,948	19	\$ 2,070,986	62
8620	Non-controlling Interests	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
8600		<u>\$ 648,948</u>	<u>19</u>	<u>\$ 2,070,986</u>	<u>62</u>

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Code		2023		2022	
		Amount	%	Amount	%
	Total comprehensive income attributable to:				
8710	Owners of the Company	\$ 1,850,806	55	\$ 2,030,783	61
8720	Non-controlling Interests	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
8700		<u>\$ 1,850,806</u>	<u>55</u>	<u>\$ 2,030,783</u>	<u>61</u>
	Earnings per share (Note 27)				
9710	Basic	<u>\$ 2.17</u>		<u>\$ 6.92</u>	
9810	Diluted	<u>\$ 2.17</u>		<u>\$ 6.91</u>	

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

Shinkong Textile Co., Ltd. and Subsidiaries
Consolidated Statements of Changes in Equity
For the Years Ended December 31, 2023 and 2022

Unit: In Thousands of New Taiwan Dollars

Code		Share capital		Capital surplus	Retained earnings			Other equity		Treasury share	Total Equity
		Number of Shares (in Thousands)	Amount		Legal surplus reserve	Special reserve	Unappropriated earnings	Exchange differences on translating the financial statements of foreign operations	Unrealized gains (losses) on financial assets at fair value through other comprehensive income		
A1	Balance at January 1, 2022	300,041	\$ 3,000,413	\$ 8,928	\$ 497,780	\$ 1,006,548	\$ 1,058,957	(\$ 6,638)	\$ 4,458,304	(\$ 13,174)	\$ 10,011,118
B1	Appropriation and distribution of surplus in 2021										
	Legal surplus reserve	-	-	-	44,490	-	(44,490)	-	-	-	-
B5	Cash dividends to shareholders of the Company	-	-	-	-	-	(300,041)	-	-	-	(300,041)
M1	Other changes in capital surplus:										
	Changes in capital surplus from dividends paid to subsidiaries	-	-	804	-	-	-	-	-	-	804
T1	Dividends not collected before the designated date	-	-	278	-	-	-	-	-	-	278
Q1	Disposal of investments in equity instruments at fair value through other comprehensive income	-	-	-	-	-	(12,358)	-	12,358	-	-
D1	Net income in 2022	-	-	-	-	-	2,070,986	-	-	-	2,070,986
D3	Other comprehensive income in 2022, net of tax	-	-	-	-	-	4,920	5,377	(50,500)	-	(40,203)
D5	Total comprehensive income in 2022	-	-	-	-	-	2,075,906	5,377	(50,500)	-	2,030,783
Z1	Balance at December 31, 2022	300,041	3,000,413	10,010	542,270	1,006,548	2,777,974	(1,261)	4,420,162	(13,174)	11,742,942
B17	In compliance with the law, the initial implementation of the IFRS accounting standards pertains to special surplus reserves.	-	-	-	-	(192)	192	-	-	-	-
B1	Appropriation and distribution of surplus in 2022										
	Legal surplus reserve	-	-	-	206,355	-	(206,355)	-	-	-	-
B5	Cash dividends to shareholders of the Company	-	-	-	-	-	(450,062)	-	-	-	(450,062)
M1	Other changes in capital surplus:										
	Changes in capital surplus from dividends paid to subsidiaries	-	-	1,205	-	-	-	-	-	-	1,205
T1	Dividends not collected before the designated date	-	-	2,170	-	-	-	-	-	-	2,170
Q1	Disposal of investments in equity instruments at fair value through other comprehensive income	-	-	-	-	-	93,810	-	(93,810)	-	-
D1	Net income in 2023	-	-	-	-	-	648,948	-	-	-	648,948
D3	Other comprehensive income in 2023, net of tax	-	-	-	-	-	(314)	(1,512)	1,203,684	-	1,201,858
D5	Total comprehensive income in 2023	-	-	-	-	-	648,634	(1,512)	1,203,684	-	1,850,806
Z1	Balance at December 31, 2023	<u>300,041</u>	<u>\$ 3,000,413</u>	<u>\$ 13,385</u>	<u>\$ 748,625</u>	<u>\$ 1,006,356</u>	<u>\$ 2,864,193</u>	<u>(\$ 2,773)</u>	<u>\$ 5,530,036</u>	<u>(\$ 13,174)</u>	<u>\$ 13,147,061</u>

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

Shinkong Textile Co., Ltd. and Subsidiaries
Consolidated Statements of Cash Flows
For the Years Ended December 31, 2023 and 2022

Unit: In Thousands of New Taiwan Dollars

Code		2023	2022
	Cash flows from operating activities		
A10000	Income before income tax	\$ 772,967	\$ 2,263,521
A20010	Income and expense items		
A20100	Depreciation expense	149,005	145,284
A20200	Amortization expense	2,499	2,150
A20300	Expected credit return gains	(5)	(1,294)
A20400	Net gains on financial assets at fair value through profit or loss	(23,733)	(49,866)
A20900	Finance costs	53,452	36,438
A21200	Interest income	(23,183)	(6,610)
A21300	Dividend income	(354,184)	(362,884)
A22300	Share of profit or loss of associates accounted for using the equity method	(78,321)	(73,760)
A22500	Loss on disposal of property, plant and equipment	25	669
A22700	Disposal of investment properties	(3,377)	-
A22800	Loss on disposal of intangible asset	360	-
A23000	Gains on disposal of other non-current assets held for sale	-	(1,511,741)
A23700	Loss for market price decline and obsolete and slow-moving inventories	22,659	19,031
A24500	Capital surplus from dividends on dividends that have not been collected	2,170	278
A29900	Construction in progress transferred to miscellaneous purchases	-	29
A29900	Construction in progress transferred to miscellaneous disbursements	-	59,315
A29900	Gains on lease modification	-	(442)
A30000	Changes in operating assets and liabilities, net		
A31130	Notes receivable	(1,116)	19,769
A31150	Accounts receivable	(88,267)	62,219
A31180	Other receivables	1,435	3,326
A31200	Inventories	27,605	(298,589)
A31230	Prepayments	(33,046)	(4,246)
A31240	Other current assets	(38)	(3)
A31990	Other non-current assets	1,209	1,210
A32125	Contract liabilities	(7,459)	3,762
A32130	Notes payable	(54,576)	(36,585)
A32150	Accounts payable	25,139	6,745
A32180	Other payables	(8,778)	57,491

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Code		2023	2022
A32230	Other current liabilities	(\$ 20,031)	(\$ 553)
A32240	Net defined benefit assets	2,275	(772)
A32990	Other non-current liabilities	-	(3)
A33000	Cash generated from operations	364,686	333,889
A33300	Interest paid	(53,631)	(33,525)
A33500	Income tax paid	(61,082)	(18,126)
AAAA	Net cash generated from operating activities	<u>249,973</u>	<u>282,238</u>
Cash flows from investing activities			
B00010	Acquisition of financial assets at fair value through other comprehensive income	(108,410)	(32,158)
B00020	Disposal of the financial assets at fair value through other comprehensive income	27,685	326
B00040	Financial assets at amortized cost	-	(500,000)
B00050	Disposal of financial assets at amortized cost	489,100	-
B00100	Acquisition of financial assets at fair value through profit or loss	(37,508)	(427,301)
B00200	Proceeds from financial assets at fair value through profit or loss	177,440	80,779
B01800	Acquisition of long-term equity investments using equity method	(15,439)	(8,772)
B02600	Proceeds from disposal of other non-current assets held for sale	-	815,383
B02700	Acquisition of property, plant, and equipment	(56,811)	(281,503)
B02800	Proceeds from disposal of property, plant and equipment	11	20
B03700	Increase in refundable deposits	(9,599)	(46,802)
B04500	Acquisition of intangible assets	(4,547)	(2,783)
B05400	Acquisition of investment properties	(230,857)	(627)
B05500	Disposal of investment properties	3,674	-
B07100	Increase in prepayments for equipment	(3,734)	(13,420)
B07300	Increase in prepayments for land	(105,977)	-
B07500	Interest received	23,183	6,610
B07600	Dividends received	354,184	362,884
B09900	Dividends received from associates	<u>45,986</u>	<u>43,352</u>
BBBB	Net cash used in xxxxxxxx	<u>548,381</u>	<u>(4,012)</u>
Cash flows from financing activities			
C00100	Increase in short-term borrowings	-	590,000
C00200	Decrease in short-term borrowings	(24,000)	-
C00500	Increase in short-term notes and bills payable	100,000	-
C00600	Decrease in short-term notes and bills payable	-	(1,180,000)

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Code		2023	2022
C01600	Proceeds from long-term borrowings	\$ 243,698	\$ 159,082
C03000	Increase in guarantee deposits received	99,395	-
C03100	Refund of guarantee deposits received	-	(21,300)
C04020	Repayment of the principal portion of lease liabilities	(47,551)	(46,745)
C04500	Distribution of dividends to the shareholders of the Company	(448,857)	(299,237)
CCCC	Net cash used in financing activities	(77,315)	(798,200)
DDDD	Effects of exchange rate changes on cash and cash equivalent	(115)	163
EEEE	Net increase (decrease) in cash and cash equivalents	720,924	(519,811)
E00100	Cash and cash equivalents at beginning of year	889,783	1,409,594
E00200	Cash and cash equivalents at end of year	<u>\$ 1,610,707</u>	<u>\$ 889,783</u>

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

Shinkong Textile Co., Ltd. and Subsidiaries
Notes to Consolidated Financial Statements
For the Years Ended December 31, 2023 and 2022
(In Thousands of New Taiwan Dollars, Unless Otherwise Specified)

1. Company History

Shinkong Textile Co., Ltd. (the "Company") was founded in Taipei in June 1955. The Company's principal businesses are the production and sale of a variety of synthetic fibers, fabrics, and finished fabrics; agency for the import and sale of garments, and the leasing and sale of buildings and public housing units constructed by builders commissioned by the Company.

The Company's shares have been listed on the Taiwan Stock Exchange since March 1977.

The consolidated financial statements are presented in NTD, which is the Company's functional currency.

2. Date and Procedures of Authorization of Financial Statements

The consolidated financial statements were approved and authorized for issue in the Board of Directors' meeting on March 8, 2024.

3. Application of New and Amended Standards and Interpretations

- 1) The first-time adoption of the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) (hereinafter referred to as "IFRSs") endorsed and issued into effect by the Financial Supervisory Commission (FSC).

The application of the amended IFRSs endorsed and issued into effect by the FSC shall not result in significant changes in the accounting policies of the consolidated company.

- 2) Adoption of IFRSs accounting standards endorsed by the FSC from 2024 onwards

<u>New/Revised/Amended Standards and Interpretations</u>	<u>Effective Date Announced by IASB (Note 1)</u>
Amendments to IAS 16 "Lease liabilities in sale and leaseback"	January 1, 2024 (Note 2)
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	January 1, 2024
Amendments to IAS 1 "Non-current liabilities with contract terms"	January 1, 2024
Amendments to IAS 7 and IFRS 7 "Supplier Financing Arrangement"	January 1, 2024 (Note 3)

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

Note 2: The Seller and Lessee shall retroactively apply the amendments to IFRS 16 to sale and leaseback transactions concluded after the first application of IFRS 16.

Note 3: Exemptions to disclosure requirements shall apply upon the initial implementation of this amendment.

3) IFRSs issued by the IASB but not yet endorsed and issued into effect by the FSC

<u>New/Revised/Amended Standards and Interpretations</u>	<u>Effective Date Announced by IASB (Note 1)</u>
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be determined
IFRS 17 "Insurance Contracts"	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendment to IFRS 17 "First Application of IFRS 17 and IFRS 9 - Comparative Information"	January 1, 2023
Amendment to IAS 21: 'Lack of Exchangeability'	January 1, 2025 (Note 2)

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

Note 2: The amendments applied prospectively to annual reporting periods beginning on or after January 1, 2025. Upon the initial application of the amendment, the impact amount will be recognized in the retained earnings as of the date of initial application. If the consolidated company uses a non-functional currency as its presentation currency, this will affect the adjustment of foreign currency translation differences for foreign operating entities in equity at the date of initial application.

Except for the above effects, as of the date of authorization of the consolidated financial statements, the consolidated company has continued to assess the effects of amendments to other standards and interpretations on its financial conditions and performance. Related impacts will be disclosed upon completion of the assessment.

4. Summary of Significant Accounting Policies

1) Statement of compliance

The consolidated financial statements have been prepared in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs endorsed and issued into effect by the Financial Supervisory Commission (FSC).

2) Basis of preparation

The consolidated financial statements have been prepared on a historical cost basis, except for financial instruments measured at fair value and net defined benefit liabilities recognized at the present value of defined benefit obligations less fair value of plan assets.

The fair value measurement is classified Level 1 to Level 3 based on the observability and importance of related input:

- a. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities on the measurement date.
- b. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly (i.e., prices) or indirectly (i.e., deduced from prices).
- c. Level 3 inputs are unobservable inputs for the asset or liability.

3) Classification of current and non-current assets and liabilities

Current assets include:

- a. Assets held primarily for trading purposes;
- b. Assets expected to be realized within 12 months after the balance sheet date; and
- c. Cash or cash equivalents (excluding those that are restricted for being used to exchange or settle liabilities beyond 12 months after the balance sheet date).

Current liabilities include:

- a. Liabilities held primarily for trading purposes;
- b. Liabilities due to settle within 12 months after the balance sheet date; and
- c. Liabilities with a repayment schedule that cannot be unconditionally deferred till at least 12 months after the balance sheet date.

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

4) Basis of consolidation

The consolidated financial statements include the financial statements of the Company and entities controlled by the Company (subsidiaries). The consolidated

statements of comprehensive income include the operating income/loss of the acquired or disposed subsidiaries from the date of acquisition or up to the date of disposal in the current period. The financial statements of the subsidiaries have been adjusted to bring their accounting policies in line with those used by the consolidated Company. All transactions, balances, income and expenses between entities within the Group are eliminated in full upon consolidation. A subsidiary's total comprehensive profit and loss is attributed to the owners of the Company and non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

Changes in the consolidated Company's ownership interests in subsidiaries that do not result in the consolidated Company losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the consolidated Company and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. The difference between the adjusted amount of the non-controlling interests and the fair value of the consideration paid or received is recognized directly in equity and attributed to the owners of the Company.

For details on subsidiaries, including the percentages of ownership and principal business activities, please refer to Note XII and Tables 6 and 7.

5) Foreign currency

In the preparation of financial statements by each entity, transactions denominated in a currency other than the entity's functional currency (i.e., foreign currency) are translated into the functional currency by using the exchange rate at the date of the transaction.

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

Non-monetary items measured at fair value that are denominated in foreign currencies are translated at the exchange rates prevailing at the date when the fair value was determined. The resulting exchange difference is recognized in profit or loss, except for items whose changes in fair value are recognized in other comprehensive profit and loss, where the resulting exchange difference is recognized in other comprehensive profit and loss.

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

In the preparation of the consolidated financial statements, the assets and liabilities of foreign operations (including subsidiaries and associates that operate in a country or currency different from the Company) are translated into the New Taiwan dollar at the rate of exchange prevailing on the balance sheet date. Income and expenses are translated at the average rate of the period. The exchange differences arising are recognized in other comprehensive profit and loss (and attributed to owners of the Company and non-controlling interests respectively).

If the consolidated Company disposes of the entire interest in the foreign operation, the disposal of partial interest in foreign operation's subsidiary with a loss of control, or the disposal of foreign operation's joint arrangement or associate where the retained interests are financial assets and accounted for using the accounting policies for financial instruments, all of the accumulated exchange differences attributable to owners of the Company and associated with the foreign operation are reclassified to profit or loss.

In relation to a partial disposal of a foreign operation's subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences is re-attributed to the non-controlling interests of the subsidiary but is not recognized in profit or loss. For all other partial disposals of a foreign operation, the proportionate share of the accumulated exchange difference is reclassified to profit or loss.

6) Inventories

Inventories comprise raw materials, supplies, finished goods, work in progress and merchandise inventory. Inventory costs are calculated using the weighted average method. Inventories are measured at the lower of cost and net realizable value. The comparison between cost and net realizable value is based on individual items except for the same type of inventory. The net realizable value is the estimated selling price in the ordinary course of business less the estimated cost of completion and the estimated cost necessary to make the sale. The weighted-average method is adopted for the calculation of inventory costs.

7) Investment in associates

An associate is an entity over which the consolidated Company has significant influence other than a subsidiary or a joint venture.

The consolidated Company accounts for its investments in associates using the equity method.

Under the equity method, the investments in associates are initially recognized at cost. The carrying amount of investment is adjusted thereafter for the post-acquisition changes in the consolidated Company's share of profit or loss and other comprehensive profit and loss and profit distribution of the associates. In addition, changes in the consolidated Company's share of associates' equity are recognized in proportion to its shareholding ratio.

Any excess of the cost of acquisition over the consolidated Company's share of the net fair value of the identifiable assets and liabilities of associates recognized at the date of acquisition is recognized as goodwill, which is included in the carrying amount of the investment and may not be amortized. Any excess of the consolidated Company's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognized as profit or loss in the current year.

When the consolidated Company subscribes for additional new shares of the associate at a percentage different from its existing ownership percentage which in turn changes its net interest in the associate, the difference is recorded as an adjustment to capital surplus – changes in the net interests in associates equity accounted for using the equity method and investments accounted for using the equity method. If the subscription or acquisition at a percentage different from the existing ownership percentage results in a decrease in ownership interest in the associates, the proportionate amount previously recognized in other comprehensive income in relation to that associate is reclassified on the same basis as would be required if the associate had directly disposed of the related assets or liabilities. When the adjustment shall be debited to capital surplus, but the capital surplus recognized from investments accounted for using the equity method is insufficient, the shortage is debited to retained earnings.

Further loss shall be disregarded when the consolidated Company's share of loss to the associates is equal to or greater than its interest (including the carrying amount of the investment in associates accounted for using the equity method and other long-term equity that are essentially part of the consolidated Company's net investment in the associates) in the associates. Additional losses and liabilities are recognized only to the extent that the consolidated Company has incurred legal obligations, or constructive obligations, or made payments on behalf of said associates.

To assess impairment, the consolidated Company has to consider the overall carrying amount of the investment (including goodwill) as a single asset to compare the recoverable and carrying amounts. The impairment loss recognized is not allocated to any assets which form parts of the carrying amount of the investment, including goodwill. Reversal of the impairment loss is recognized to the extent of subsequent increases in the recoverable amount of investment.

The consolidated Company shall cease the use of equity method from the date when its investment is no longer an associate. Its retained interest in the associate is measured at fair value, and the difference between the fair value of the retained interest plus proceeds from disposal and the carrying amount of the previous investment at the date when the use of equity method is halted is recognized in profit or loss. Also, the consolidated Company accounted for all amounts recognized in other comprehensive profit and loss in relation to the associate on the same basis as would be required if the associate had directly disposed of the related assets and liabilities. If an investment in an associate becomes an investment in a joint venture or vice versa, the consolidated Company continues to apply the equity method and does not remeasure the retained interest.

Profit or loss from upstream, downstream and lateral transactions between the consolidated Company and associates are recognized in the consolidated financial statements only to the extent of interests in the associates that are not related to the consolidated Company.

8) Property, plant and equipment (PP&E)

PP&E are stated at cost and subsequently measured at cost less accumulated depreciation and impairment.

PP&E under construction is recognized at cost less accumulated impairment loss. Cost includes professional fees and borrowing costs eligible for capitalization. Such assets are measured at the lower of cost and net realized value until they achieve their expected state of use, and the sale price and cost are recognized as profit or loss. Upon completion and their expected state of use, such assets are classified into the appropriate category of real estate, plant and equipment and depreciation begins.

Except for self-owned land, which is not designated for depreciation, the depreciation of PP&E in its useful life is made on a straight-line basis for each major part/component separately. Where the lease term is less than the useful life of an asset, the depreciation is recognized over the lease term. The consolidated Company estimated

useful lives, residual values and depreciation method are reviewed at the end of each year, with the effect of any changes in estimate accounted for on a prospective basis.

When PP&E is derecognized, the difference between the net proceeds from disposal and the carrying amount of the asset shall be recognized in profit or loss.

9) Investment properties

Investment properties refer to real estate properties that are held with the intention of generating rental income, capital appreciation, or both. This includes properties that meet the criteria for investment properties and are currently under construction. Investment property also includes land held for a currently undetermined future use.

Freehold investment property is initially measured at costs (including transaction costs) and is subsequently measured at costs less accumulated depreciation and accumulated impairment losses, and the revaluation amount of lease liabilities is adjusted. Depreciation is recognized on a straight-line basis.

Investment properties under construction are recognized at cost less accumulated impairment loss. Cost includes professional fees and borrowing costs eligible for capitalization. Depreciation is recorded for these assets once they have reached the anticipated level of utilization.

In the event of derecognition, the difference between the net proceeds from disposal and the carrying amount of investment property is recognized in profit or loss.

10) Intangible assets

a. Separate acquisition

Intangible assets with finite useful lives that are acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less accumulated amortization and accumulated impairment losses, if any. Intangible assets are amortized on a straight-line basis over the useful lives. The consolidated Company estimated useful lives, residual values and amortization method are reviewed at the end of each year, with the effect of any changes in estimate accounted for on a prospective basis. Intangible assets with indefinite useful lives are recognized at cost less accumulated impairment loss.

b. Derecognition

In the event of derecognition, the difference between the net proceeds from disposal and the carrying amount of intangible assets is recognized in profit or loss.

11) Impairment of PP&E, right-of-use assets, investment property, intangible assets and assets related to the contract costs

The consolidated Company assesses whether there is any indication that PP&E, right-of-use assets, investment properties and intangible assets may be impaired on each balance sheet date. If any such indication exists, the recoverable amount of the asset is estimated. If it is not possible to determine the recoverable amount for an individual asset, the consolidated Company shall estimate the recoverable amount of the asset's CGU.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

The recoverable amount is the fair value less costs to sell or the value in use, whichever is higher. If the recoverable amount of individual asset or the CGU is lower than its carrying amount, the carrying amount of the asset or the CGU shall be reduced to the recoverable amount and the impairment loss shall be recognized in profit or loss.

Impairment loss is recognized for inventory, PP&E and intangible assets under customer contracts in accordance with inventory impairment rules and the aforementioned rules. Then, impairment loss from the assets related to the contract costs is recognized to the extent that the carrying amount of the assets exceeds the remaining amount of consideration that the Group expects to receive in exchange for related goods or services less the costs which relate directly to providing those goods or services. The carrying amount of assets related to the contract costs are then included in the CGU to which they belong for the purpose of evaluating the CGU' impairment.

When an impairment loss is subsequently reversed, the carrying amount of the asset, CGU or assets related to the contract costs is increased to the revised recoverable amount, but only to the extent of the carrying amount that would have been determined, net of amortization or depreciation, had no impairment loss been recognized for the asset, CGU or assets related to contract costs in prior periods. A reversal of an impairment loss is recognized in profit or loss.

12) Financial instruments

Financial assets and financial liabilities shall be recognized in the parent company only balance sheets when the consolidated Company becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities not at fair value through profit or loss are measured at fair value plus transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities on initial recognition. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

a. Financial assets

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

a) Types of measurement

Financial assets held by the consolidated Company are classified as financial assets at fair value through profit or loss, financial assets at amortized cost, and investments in equity instruments at fair value through other comprehensive profit and loss.

i. Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets mandatorily measured at fair value through profit or loss and financial assets designated as at fair value through profit or loss. Financial assets mandatorily measured at fair value through profit or loss include investments in equity instruments not designated as at fair value through other comprehensive profit and loss, and investments in debt instruments which do not meet the criteria to be classified as measured at amortized cost or at fair value through other comprehensive profit and loss of the consolidated Company.

Financial assets are designated as measured at fair value through profit or loss upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency.

Financial assets at fair value through profit or loss are measured at fair value, of which any dividends and interest accrued are recognized as other income and interest income. Gain or loss on remeasurement are recognized in other gains or losses. Please refer to Note 30 for methods adopted in determining the fair values.

ii. Financial assets at amortized cost

When the consolidated Company's investments in financial assets match the following two conditions simultaneously, they are classified as financial assets at amortized cost:

- i) Financial assets are under a business model whose purpose is to hold financial assets and collecting contractual cash flows; and
- ii) The terms of the contract generate a cash flow on a specified date that is solely for the payment of interest on the principal and the amount of principal outstanding.

Subsequent to initial recognition, financial assets at amortized costs (including cash and cash equivalents and accounts receivable, notes receivable, other receivables and refundable deposits that are measured at amortized cost) are measured at the gross carrying amount as determined using the effective interest method less any impairment loss. Foreign exchange gain or loss arising therefrom is recognized in profit or loss.

Except for the following two circumstances, interest income is calculated at the value of effective interest rate times the gross carrying amount of financial assets:

- i) For purchased or originated credit-impaired financial assets, interest income is calculated by applying the credit-adjusted effective interest rate to the amortized cost of the financial assets.
- ii) For financial assets that do not belong to the former category but subsequently have become credit-impaired, interest income is calculated by applying the effective interest rate to the amortized cost of the financial assets in the subsequent period.

Credit-impaired financial assets are those where the issuer or debtor has experienced major financial difficulties or defaults, the debtor is likely to claim bankruptcy or other financial restructuring, or disappearance of an active market for the financial asset due to financial difficulties.

Cash equivalents include time deposits with original maturities within three months from the date of acquisition, which are highly liquid, readily convertible to known amounts of cash and subject to an

insignificant risk of changes in value. They are used for meeting short-term cash commitments.

- iii. Investments in equity instruments at fair value through other comprehensive profit and loss

The consolidated Company may, at initial recognition, make an irrevocable decision to designate an investment in equity instrument that is neither held for trading nor contingent consideration arising from a consolidated company to be measured at fair value through other comprehensive profit and loss.

Investments in equity instruments at fair value through other comprehensive profit and loss are measured at fair value, and any subsequent fair value changes are recognized in other comprehensive profit and loss and accumulated in other equity. When the investment is disposed of, the cumulative profit or loss is directly transferred to retained earnings and not reclassified to profit or loss.

Dividends of investments in equity instruments at fair value through other comprehensive profit and loss are recognized in profit or loss when the consolidated Company's right to receive payment is confirmed unless such dividends clearly represent the recovery of a part of the investment cost.

- b) Impairment of financial assets and contract assets

The consolidated Company evaluates impairment losses of financial assets (including accounts receivable) at amortized cost, investments in debt instruments at fair value through other comprehensive profit and loss, lease receivable and contract assets based on expected credit loss (ECL) at each balance sheet date.

Loss allowances for accounts receivable, lease receivables and contract assets are recognized based on the lifetime ECL. Loss allowance for other financial assets whose credit risk has not increased significantly since initial recognition is measured at an amount equal to 12-month ECL. If the credit risk has increased significantly, the loss allowance is measured at an amount equal to lifetime ECL.

The ECL is the weighted average credit loss determined by the risk of default. The 12-month ECL represents the ECL arising from the possible

default of the financial instrument in the 12 months after the balance sheet date, and the lifetime ECL represents the ECL arising from all possible defaults of the financial instrument during the expected existence period.

For the purpose of internal credit risk management, the consolidated Company, without considering the collateral held, determines that the following situations represent defaults in the financial assets:

- i. There is internal or external information indicating that it is impossible for the debtor to settle the debt.
- ii. Overdue for more than 90 days, unless there is reasonable and supportable information showing that a delayed default base is more appropriate.

For all financial assets, the impairment loss is reflected by reducing the carrying amount through the loss allowance account, except for investments in debt instruments at fair value through other comprehensive profit and loss where the impairment loss is recognized in other comprehensive profit and loss and the carrying amount is not reduced.

c) Derecognition of financial assets

The consolidated Company derecognizes financial assets when the contractual rights to the cash inflow from the asset expire or when the Company transfers the financial assets with substantially all the risks and rewards of ownership to other enterprises.

If the consolidated Company neither transfers nor retains nearly all risks and rewards of the ownership of the financial assets and retains control over the assets, it shall continue to recognize the assets within the scope of continuous participation in the asset and recognize relevant liabilities for the possible payable amount. If the consolidated Company retains almost all risks and reward of the ownership of the financial assets, the assets shall continue to be recognized, and the proceeds collected shall be recognized as secured loans.

On derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the consideration received is recognized in profit or loss. On derecognition of investments in debt instruments at fair value through other comprehensive profit and loss in its entirety, the difference between the carrying amount and the consideration

received plus the cumulative gain or loss already recognized in other comprehensive profit and loss is recognized in profit or loss. On derecognition of investments in equity instruments at fair value through other comprehensive profit and loss in its entirety, the cumulative gain or loss is directly transferred to retained earnings and not reclassified to profit or loss.

b. Equity instruments

Debt and equity instruments issued by the consolidated Company are classified as either financial liabilities or equity in accordance with the substance of the contractual arrangements and the definitions of financial liabilities and equity instruments.

The equity instrument issued by the consolidated Company shall be recognized by the payment net of the direct cost of issuance.

The reacquisition of the Company's own equity instruments is recognized and deducted under equity, and the carrying amount is calculated on a weighted average basis by the class of shares. The purchase, sale, issue or write-down of the Company's own equity instruments is not recognized as profit or loss.

c. Financial liabilities

a) Subsequent measurement

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

b) Derecognition of financial liabilities

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

13) Revenue recognition

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

Revenue from the sale of goods

Revenue from the sale of goods comes from sales of textile products. Unless otherwise specified, when goods are shipped, customers obtain the rights to set the prices and use the goods, take on the primary responsibility for sales to future customers, and bear the risks of obsolescence. The consolidated Company would recognize revenue and accounts receivable at that time.

Revenue on materials delivered to subcontractors for processing is not recognized because the delivery does not involve a transfer of control.

14) Leases

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

a. The merged company acts as the lessor.

If the lease transfers substantially all of the risks and rewards incidental to the underlying asset's ownership to the lessee, it is classified as a finance lease. All other leases are classified as operating leases.

Under operating leases, lease payments after deducting lease incentives are recognized as income on a straight-line basis over the relevant lease term. Lease negotiated with the lessee are accounted for as new leases from the effective date of the lease modification.

When a lease simultaneously include land and building elements, the consolidated Company classifies them as finance lease or operating lease based on whether substantially all of the risks and rewards from ownership of the elements have been transferred to the lessee. Lease payments are apportioned to land and buildings in proportion to the fair value of land and building lease rights on the contract establishment date. If lease payments can be apportioned reliably to these two elements, each element is treated according to the applicable lease classification. If lease payments cannot be allocated reliably to the two elements, the entire lease is classified as a finance lease, except when both elements clearly meet the standards of operating leases, the entire lease would be classified as an operating lease.

b. Where the consolidated Company is a lessee

The consolidated Company recognizes right-of-use assets and lease liabilities for all leases at the commencement date of a lease, except for lease payments of low-value asset leases and short-term leases subject to recognition exemption where lease payments are recognized as expenses on a straight-line basis over the lease terms.

The right-of-use asset is initially measured at cost (including the initial measurement amount of lease liabilities, all lease payments made on or before the commencement date, less any lease incentives received, the initial direct cost and the estimated cost for restoring the underlying asset), and subsequently measured

at cost minus the accumulated depreciation and the accumulated impairment loss and adjusted for the remeasurement of the lease liability. Right-of-use assets are separately presented on the consolidated balance sheets.

A right-of-use asset is depreciated on a straight-line basis from the lease commencement date to the end of the useful life or the end of the lease term, whichever is earlier.

Lease liabilities are initially measured at the present value of the lease payments (including fixed payments). If the interest rate implicit in the lease can be readily determined, lease payments would be discounted using this rate. If the rate cannot be readily determined, the consolidated Company would use the incremental borrowing rate of lessee.

Subsequently, the lease liability is measured at amortized cost using the effective interest method with interest expense recognized over the lease terms. When there is a change in future lease payments during the lease term, the consolidated Company remeasures the lease liabilities with a corresponding adjustment to the right-of-use-assets. However, if the carrying amount of the right-of-use assets is already reduced to zero, the remaining amount of the remeasurement is recognized in profit or loss. For lease modifications that are not treated as a separate lease, remeasurement of the lease liabilities due to the reduction in the scope of the lease is to reduce the right-of-use assets, and to recognize the profit or loss on the partial or full termination of the lease; the remeasurement of the lease liabilities due to other modifications is to adjust the right-of-use assets. Lease liabilities are separately presented on the consolidated balance sheets.

The consolidated Company and Lessor have a rent concession directly related to the COVID-19. The adjustment of payments due before June 30, 2022 results in a rent reduction, and there is no material change in other lease terms and conditions. The consolidated Company chooses to treat all rent concessions that meet the foregoing conditions on a practical expedient basis, without assessing whether they are lease modifications or not. Instead, the company recognizes the reduction of lease payments as profit or loss (minus the depreciation expense of the used assets) when the concession event or condition occurs, and makes a relative reduction of lease liabilities.

15) Borrowing costs

Borrowing costs directly attributable to an acquisition, construction, or production of qualifying assets are added to the cost of such assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

Other than those stated above, all other borrowing costs are recognized as profit or loss in the period in which they are incurred.

16) Government grants

Government grants are recognized only when they can be reasonably assured that the consolidated Company would comply with the conditions imposed for the government grants and that such grants can be received.

Government grants related to income are recognized in profit or loss on a systematic basis during the period when the consolidated Company recognizes the relevant costs that such grants are intended to compensate as expenses. Government grants that require the consolidated Company to acquire, construct or obtain non-current assets in other means as conditions for receiving the grants are recognized as deferred income and shall be transferred to profit or loss on a reasonable and systematic basis during the useful lives of related assets.

If the government grants are used to compensate fees or losses that had incurred, or are given to the consolidated Company for the purpose of immediate financial support without related future costs, such grants may be recognized in profit or loss within the collectible period.

17) Employee benefits

a. Short-term employee benefits

Liabilities recognized in respect of short-term employee benefits are measured at the non-discounted amount of the benefits expected to be paid in exchange for the employees' services.

b. Post-employment benefits

Payments to defined contribution retirement benefit plans are recognized as an expense when employees have rendered service entitling them to the contributions.

The costs of defined benefits under the defined benefit retirement plan (including service cost, net interest, and the remeasurement amount) are calculated based on the projected unit credit method. The cost of services (including the cost of services of the current period) and the net interest of the net defined benefit liability (asset) are recognized as employee benefit expenses when they are incurred. Remeasurement (comprising actuarial gains and losses, and return on plan assets net of interests) is recognized in other comprehensive profit and loss and included in retained earnings. It is not reclassified to profit or loss in subsequent periods.

Net defined benefit liabilities (assets) are the deficit (surplus) of the contribution made according to the defined benefit retirement plan. A net defined benefit asset shall not exceed the present value of the contributions to be refunded from the plan, or the reductions in future contributions.

18) Income tax

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

a. Current income tax

The consolidated Company determines its current income (losses) according to the regulations established by the governing authority of each income tax reporting region and calculates the income tax payable (recoverable) accordingly.

An additional tax is levied on the unappropriated earnings pursuant to the Income Tax Act and is recorded as an income tax expense in the year when the shareholders' meeting resolves to appropriate the earnings.

Adjustments to income tax payable from previous years are recognized in the current income tax.

b. Deferred income tax

Deferred income tax is calculated based on the temporary difference between the carrying amount of the assets and liabilities in the financial statements and the tax basis of the taxable income.

Deferred income tax liabilities are generally recognized based on all taxable temporary differences. Deferred income tax assets are recognized to the extent that it is probable that there is taxable income to be applied to deductible temporary differences or unused tax credits.

Deferred income tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, except where the consolidated Company is able to control the reversal of the temporary

difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income tax assets arising from deductible temporary differences associated with such investments are only recognized to the extent that it is probable that there will be sufficient taxable profit against which to utilize the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred income tax assets is reviewed on each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable income will be available to recover all or part of the assets. A previously unrecognized deferred income tax asset is also reviewed on each balance sheet date with carrying amount increased to the extent that it is probable that sufficient taxable income will be available to recover all or part of the assets.

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

c. Current and deferred income taxes

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

5. Primary Sources of Uncertainties in Material Accounting Judgments, Estimates, and Assumptions

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

The consolidated Company, during developing significant accounting estimate values, will take climate change and governmental policies and its possible impact on regulations into consideration of significant accounting estimates such as cash flow estimation, growth rate, discount rate, and profitability. Management will continue to review the estimations and basic assumptions.

Primary Sources of Uncertainties in Estimates, and Assumptions

- 1) Estimated impairment of financial assets, contract assets and financial guarantee contracts

The estimated impairment of accounts receivable is based on the consolidated Company's assumptions regarding the probability of default and the default loss rate. The consolidated Company considers historical experience, current market conditions and forward-looking information to make assumptions and select the input value for impairment assessment. Please refer to Note 10 for important assumptions and input values.

- 2) Impairment of inventory

The net realized value of inventory is an estimate of the estimated selling price in the normal course of business less the estimated cost to complete and the estimated cost to complete the sale. Such estimates are assessed based on current market conditions and historical sales experience of similar products. Changes in market conditions may materially affect such estimates.

6. Cash and cash equivalent

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Cash on hand and working capital	\$ 1,167	\$ 879
Checks and demand deposits in banks	966,406	601,266
Cash equivalent (investments bank time deposits with original maturities within three months)	<u>643,134</u>	<u>287,638</u>
	<u>\$ 1,610,707</u>	<u>\$ 889,783</u>

Interest rate ranges at the balance sheet date were as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Bank deposits	0.001%~5.6%	0.001%~4.9%

7. Financial Instruments at Fair Value through Profit or Loss

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>Financial assets - current</u>		
Designated as at fair value through profit or loss		
— Domestic stocks listed or emerging stocks	\$ 23,960	\$ 28,698
Mandatorily measured at fair value through profit or loss		
— Fund beneficiary certificates	<u>427,233</u>	<u>540,132</u>
	<u>\$ 451,193</u>	<u>\$ 568,830</u>

8. Financial assets at fair value through other comprehensive profit and loss

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>Investments in equity instruments</u>		
<u>Current</u>		
Listed stocks	<u>\$ 1,054,662</u>	<u>\$ 1,625,098</u>
<u>Non-current</u>		
Domestic investment		
Listed stocks	\$ 4,052,225	\$ 3,018,355
Unlisted stocks	<u>2,089,260</u>	<u>1,888,998</u>
Total	<u>\$ 6,141,485</u>	<u>\$ 4,907,353</u>

The consolidated Company invested in afore-mentioned items pursuant to its medium-term and long-term strategies for the purpose of making a profit through long-term investment. The management chose to designate these investments to be measured at fair value through other comprehensive profit and loss as they believed that recognizing short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the consolidated Company's strategy of holding these investments for long-term purposes.

Please refer to Note XXXII for details of investments in equity instruments at fair value through other comprehensive income pledged.

9. Financial assets at amortized cost

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>Current</u>		
Domestic investment		
Time deposits with original		
maturities over three months (I)	<u>\$ -</u>	<u>\$ 500,000</u>
<u>Non-current</u>		
Domestic investment		
Time deposits with original		
maturities over one year (II)	<u>\$ 12,700</u>	<u>\$ 1,800</u>

- 1) As of December 31, 2022, the interest rate range of time deposits with original maturities over three months was 0.8%.
- 2) As of December 31, 2023 and 2022, the interest rate ranges of time deposits with original maturities over one year were 1.34% to 1.575% and 0.9% to 1.14%, respectively.

- 3) Financial assets at amortized cost are classified as current or non-current pursuant to the maturity dates on the contracts or the pledged periods.
- 4) Please refer to Note 32 for details of financial assets at amortized cost pledged.

10. Notes and accounts receivable

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>Notes receivable</u>		
Measured at amortized cost		
Total carrying amount	\$ 11,024	\$ 9,907
Less: loss allowance	<u>-</u>	<u>-</u>
	<u>\$ 11,024</u>	<u>\$ 9,907</u>
 Notes receivable - related parties (Note 31)	 <u>\$ 7</u>	 <u>\$ 8</u>
 <u>Accounts receivable</u>		
Measured at amortized cost		
Total carrying amount	\$ 360,350	\$ 292,472
Less: Loss allowance	<u>-</u>	(<u>5</u>)
	<u>\$ 360,350</u>	<u>\$ 292,467</u>
 Accounts receivable - related parties (Note 31)	 <u>\$ 67,074</u>	 <u>\$ 46,685</u>
 <u>Other receivables</u>		
Tax refunds receivable	\$ 14,382	\$ 15,748
Other	<u>786</u>	<u>855</u>
	<u>\$ 15,168</u>	<u>\$ 16,603</u>

Notes and accounts receivable

The consolidated Company allows an average credit period of 60 days for the sale of goods with non-interest-bearing accounts receivables. It assesses credit risk based on contracts with positive fair value as of the balance sheet date. Counterparties of the consolidated Company are financial institutions and companies with sound credit ratings. the consolidated Company reviews recoverable amounts of receivables one by one on the balance sheet date to ensure impairment loss is provided for unrecoverable receivables. Thus, no significant credit risk is expected.

The consolidated Company recognizes loss allowance for accounts receivables based on lifetime ECL. The lifetime ECL is calculated based on a provision matrix that takes into account the default history and current financial position of customers, industry economics well as GDP forecasts and industry prospective. The consolidated Company's experience in credit loss shows that there is no significant difference in the loss patterns of different customer groups. Therefore, the provision matrix does not further distinguish the customer base, and only sets the ECL rate based on the overdue days of accounts receivable.

The consolidated Company writes off accounts receivable when there is evidence indicating that the counterparty is experiencing severe financial difficulty and there is no realistic prospect of recovery of the receivables. The consolidated Company continues to engage in enforcement activity to recover the receivables after the write-off.

The consolidated Company's loss allowances for notes and accounts receivables based on the provision matrix are as follows:

December 31, 2023

	Billed for 1-60 Days	Billed for 61- 120 Days	Billed for 121- 180 Days	Billed over 180 Days	Total
ECL rate	0%	0%	0%	0%~100%	
Total carrying amount	\$ 383,902	\$ 54,028	\$ 525	\$ -	\$ 438,455
Loss allowance (lifetime ECL)	-	-	-	-	-
Amortized cost	<u>\$ 383,902</u>	<u>\$ 54,028</u>	<u>\$ 525</u>	<u>\$ -</u>	<u>\$ 438,455</u>

December 31, 2022

	Billed for 1-60 Days	Billed for 61- 120 Days	Billed for 121- 180 Days	Billed over 180 Days	Total
ECL rate	0%	0%	0%	4.35%~100%	
Total carrying amount	\$ 336,760	\$ 12,161	\$ 120	\$ 31	\$ 349,072
Loss allowance (lifetime ECL)	-	-	-	(5)	(5)
Amortized cost	<u>\$ 336,760</u>	<u>\$ 12,161</u>	<u>\$ 120</u>	<u>\$ 26</u>	<u>\$ 349,067</u>

Changes in loss allowances for receivables are as follows:

	2023	2022
Balance at the beginning of the year	\$ 5	\$ 1,302
Less: Impairment loss reversed in the year	(5)	(1,294)
Less: Actual write-off in the year	-	(3)
Balance at the end of the year	<u>\$ -</u>	<u>\$ 5</u>

11. Inventories

	December 31, 2023	December 31, 2022
Finished goods	\$ 477,295	\$ 511,581
Work in progress	136,578	186,721
Raw materials	61,443	100,931
Merchandise inventories	<u>332,153</u>	<u>258,934</u>
	<u>\$ 1,007,469</u>	<u>\$ 1,058,167</u>

The cost of goods sold related to inventories for the years of 2023 and 2022 was NT\$2,297,353 thousand and NT\$2,326,422 thousand, respectively. The cost of goods sold includes inventory write-down losses of NT\$22,659 thousand and NT\$19,031 thousand, respectively.

12. Subsidiaries

Subsidiaries included in the consolidated financial statements

Entities in the consolidated financial statements are listed as follows:

Investor	Name of subsidiary	Nature of business	Percentage of ownership		Note
			December 31, 2023	December 31, 2022	
Shinkong Textile Co., Ltd.	Shinkong Asset Management Co., Ltd.	Development and rental of housing, building and industrial factory, development of specific areas and investment, development and construction in public construction	100%	100%	1
Shinkong Textile Co., Ltd.	SK INNOVATION CO., LTD.	General investment business.	100%	100%	2
SK INNOVATION CO., LTD.	Shanghai Xin Ying Trading Co., Ltd.	Garments, leather suitcases, daily commodities, craft gifts (except for cultural relics) and packaging materials.	100%	100%	3
Shinkong Asset Management Co., Ltd.	Xin Fu Development Co., Ltd.	Development and leasing of residential and commercial buildings Projects for the development of business and specialized professional zones.	100%	100%	4
Shinkong Asset Management Co., Ltd.	Hua Yang Motor Co., Ltd.	Wholesale of motor vehicles, retail sale of auto and motorcycle parts and accessories, automobile repair, other automobile services, leasing, and manufacturing of motor vehicles/motorcycles and their parts	100%	100%	5
Hua Yang Motor Co., Ltd.	One Full Co., Ltd.	Retail sale of cloths, retail sale, retail sale without storefront, other integrated retail sale, and international trade, warehousing, distribution and packaging.	100%	100%	6

Note:

1. Shinkong Asset Management Co., Ltd. (hereinafter referred to as "Shinkong Asset") was established on September 6, 1990. It is a 100%-owned subsidiary of the Company.
2. SK INNOVATION (Samoa) Co., Ltd. (hereinafter referred to as "SK") was registered for its establishment in Samoa on March 15, 2012. It is a 100%-owned subsidiary of the Company and mainly engages in investment.
3. Shanghai Xin Ying Trading Co., Ltd. (hereinafter referred to as "Shanghai Xin Ying") was approved for establishment in Shanghai, People's Republic of China in July 2012 as

a wholly foreign-owned enterprise. It is a 100%-owned subsidiary of SK INNOVATION (Samoa) Co., Ltd with the ultimate parent company being the Company.

4. Xin Fu Development Co., Ltd. (hereinafter referred to as "Xin Fu Development") was established on February 9, 2015. It is a 100%-owned subsidiary of Shinkong Asset with the ultimate parent company being the Company.
5. Hua Yang Motor Co., Ltd. (hereinafter referred to as "Hua Yang Motor") was established on February 10, 2015. Due to equity restructure within the Group, the Company disposed 55% of its holdings in Hua Yang Motor to Shinkong Asset in January 2019. Shinkong Assets acquired interests in Hua Yang Motor on January 20, 2020 and the total holdings increased from 55% to 100%.
6. One Full Co., Ltd. (hereinafter referred to as "One Full") was established on September 29, 2020. It is a 100%-owned subsidiary of Hua Yang Motor with the ultimate parent company being the Company.

13. Investments using equity method

Investment in associates

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>Associates that are individually material</u>		
Listed companies		
Chyang Sheng Dyeing & Finishing Co., Ltd.	\$ 567,086	\$ -
Unlisted companies		
Lian Quan Investment Co., Ltd.	461,590	363,569
Shang De Motor Co., Ltd.	<u>305,330</u>	<u>300,027</u>
	<u>766,920</u>	<u>663,596</u>
<u>Associates that are not individually material</u>		
Unlisted companies		
WPI-High Street, LLC	<u>50,968</u>	<u>55,332</u>
	<u>\$ 1,384,974</u>	<u>\$ 718,928</u>

1) Associates that are individually material

The percentage of ownership interest and voting rights of the consolidated Company in associates on the balance sheet date are as follows:

Name of company	Shareholding and voting rights proportion	
	December 31, 2023	December 31, 2022
Chyang Sheng Dyeing & Finishing Co., Ltd.	20.54%	-
Lian Quan Investment Co., Ltd.	48.89%	48.89%
Shang De Motor Co., Ltd.	33.50%	33.50%
WPI-High Street, LLC	35.71%	35.71%

In August 2023, the consolidated Company acquired more than 20% of the shares of Chyang Sheng Dyeing & Finishing Co., Ltd. on the centralized trading market, which had a significant impact on the Company. As a result, it is now classified as an associate.

Please refer to Table 6 “Names, locations, and other information of investees” for the aforementioned associates’ nature of business, main business premises, and countries of registration.

The investments accounted for using the equity method and the consolidated Company’s share of profit or loss and other comprehensive profit and loss of these associates are calculated based on the associates’ audited financial statements for the same periods.

The consolidated Company adopts the equity method for all of the aforementioned associates.

The summary of financial information below is based on individual associates’ consolidated financial statements prepared in accordance with the IFRSs and adjustments made for the use of the equity method are included.

Chyang Sheng Dyeing & Finishing Co., Ltd.

	December 31, 2023	December 31, 2022
Current assets	\$ 452,538	\$ -
Non-current assets	2,065,597	-
Current liabilities	(127,284)	-
Non-current liabilities	(115,063)	-
Equity	<u>\$ 2,275,788</u>	<u>\$ -</u>
Shareholding ratio of the consolidated company	20.54%	-
Equity of the consolidated company	\$ 467,374	\$ -

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	December 31, 2023	December 31, 2022
Investment premium	<u>99,712</u>	<u>-</u>
Carrying amount of investments	<u>\$ 567,086</u>	<u>\$ -</u>
	<u>2023</u>	<u>2022</u>
Operating revenue	<u>\$ 340,888</u>	<u>\$ -</u>
Net income	<u>\$ 127,390</u>	<u>\$ -</u>
Other comprehensive income	<u>-</u>	<u>-</u>
Total comprehensive profit and loss	<u>\$ 127,390</u>	<u>\$ -</u>

Lian Quan Investment Co., Ltd.

	December 31, 2023	December 31, 2022
Current assets	\$ 8,577	\$ 6,793
Non-current assets	1,100,621	927,838
Current liabilities	(165,058)	(190,985)
Equity	<u>\$ 944,140</u>	<u>\$ 743,646</u>
Shareholding ratio of the consolidated company	48.89%	48.89%
Equity of the consolidated company	<u>\$ 461,590</u>	<u>\$ 363,569</u>
Carrying amount of investments	<u>\$ 461,590</u>	<u>\$ 363,569</u>
	<u>2023</u>	<u>2022</u>
Operating revenue	<u>\$ 32,599</u>	<u>\$ 22,843</u>
Net income	<u>\$ 27,711</u>	<u>\$ 18,581</u>
Other comprehensive income	<u>84,474</u>	<u>(30,274)</u>
Total comprehensive profit and loss	<u>\$ 112,185</u>	<u>(\$ 11,693)</u>

Shang De Motor Co., Ltd.

	December 31, 2023	December 31, 2022
Current assets	\$ 1,095,028	\$ 1,138,729
Non-current assets	428,622	462,878
Current liabilities	(957,110)	(1,056,164)
Non-current liabilities	(63,043)	(57,774)

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	December 31, 2023	December 31, 2022
Equity	<u>\$ 503,497</u>	<u>\$ 487,669</u>
Shareholding ratio of the consolidated company	33.50%	33.50%
Equity of the consolidated company	\$ 168,672	\$ 163,369
Investment premium	<u>136,658</u>	<u>136,658</u>
Carrying amount of investments	<u>\$ 305,330</u>	<u>\$ 300,027</u>
	2023	2022
Operating revenue	<u>\$ 3,870,887</u>	<u>\$ 3,495,348</u>
Net income	<u>\$ 131,852</u>	<u>\$ 140,183</u>
Total comprehensive profit and loss	<u>\$ 131,852</u>	<u>\$ 140,183</u>

2) Aggregate information of associates that are not individually material

WPI-High Street , LLC

	2023	2022
The consolidated Company's share		
Net profit of continuing operations in the year	\$ 6,898	\$ 16,787
Other comprehensive income	(<u>3,469</u>)	<u>5,698</u>
Total comprehensive profit and loss	<u>\$ 3,429</u>	<u>\$ 22,485</u>

14. Property, plant and equipment (PP&E)

	Land	Buildings	Machinery equipment	Transportation equipment	Hydropower equipment	Miscellaneous equipment	Lease improvement	Construction in progress	Total
<u>Cost</u>									
Balance at January 1, 2023	\$ 99,458	\$ 278,413	\$ 587,709	\$ 11,135	\$ 132,418	\$ 156,979	\$ 44,371	\$ 259,893	\$1,570,376
Additions	-	1,269	9,950	980	-	14,884	28,815	-	55,898
Reclassifications	-	252	544	-	-	-	1,107	(259,893)	(257,990)
Disposals	-	-	(1,642)	-	-	(270)	(15,860)	-	(17,772)
Net exchange difference	-	-	-	-	-	(2)	-	-	(2)
Balance at December 31, 2023	<u>\$ 99,458</u>	<u>\$ 279,934</u>	<u>\$ 596,561</u>	<u>\$ 12,115</u>	<u>\$ 132,418</u>	<u>\$ 171,591</u>	<u>\$ 58,433</u>	<u>\$ -</u>	<u>\$1,350,510</u>
<u>Accumulated depreciation and impairment</u>									
Balance at January 1, 2023	\$ -	\$ 244,598	\$ 480,332	\$ 6,513	\$ 86,350	\$ 101,495	\$ 20,614	\$ -	\$ 939,902
Depreciation Expense	-	2,068	34,007	1,029	5,145	11,330	20,838	-	74,417
Disposals	-	-	(1,606)	-	-	(270)	(15,860)	-	(17,736)
Net exchange difference	-	-	-	-	-	(2)	-	-	(2)
Balance at December 31, 2023	<u>\$ -</u>	<u>\$ 246,666</u>	<u>\$ 512,733</u>	<u>\$ 7,542</u>	<u>\$ 91,495</u>	<u>\$ 112,553</u>	<u>\$ 25,592</u>	<u>\$ -</u>	<u>\$ 996,581</u>

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	Land	Buildings	Machinery equipment	Transportation equipment	Hydropower equipment	Miscellaneous equipment	Lease improvement	Construction in progress	Total
Net at December 31, 2023	<u>\$ 99,458</u>	<u>\$ 33,268</u>	<u>\$ 83,828</u>	<u>\$ 4,573</u>	<u>\$ 40,923</u>	<u>\$ 59,038</u>	<u>\$ 32,841</u>	<u>\$ -</u>	<u>\$ 353,929</u>
Cost									
Balance at January 1, 2022	\$ 92,452	\$ 262,113	\$ 583,097	\$ 8,805	\$ 124,845	\$ 133,088	\$ 20,686	\$ 62,553	\$1,287,639
Additions	-	393	3,062	2,330	3,613	14,734	23,347	234,024	281,503
Reclassifications	7,006	15,907	13,973	-	3,960	10,054	4,140	(36,684)	18,356
Disposals	-	-	(12,423)	-	-	(898)	(3,802)	-	(17,123)
Net exchange difference	-	-	-	-	-	1	-	-	1
Balance at December 31, 2022	<u>\$ 99,458</u>	<u>\$ 278,413</u>	<u>\$ 587,709</u>	<u>\$ 11,135</u>	<u>\$ 132,418</u>	<u>\$ 156,979</u>	<u>\$ 44,371</u>	<u>\$ 259,893</u>	<u>\$1,570,376</u>
Accumulated depreciation and impairment									
Balance at January 1, 2022	\$ -	\$ 227,137	\$ 460,212	\$ 5,786	\$ 80,489	\$ 91,508	\$ 5,494	\$ -	\$ 870,626
Depreciation expense	-	1,893	32,543	727	5,861	10,878	18,239	-	70,141
Reclassifications	-	15,568	-	-	-	-	-	-	15,568
Disposals	-	-	(12,423)	-	-	(892)	(3,119)	-	(16,434)
Net exchange difference	-	-	-	-	-	1	-	-	1
Balance at December 31, 2022	<u>\$ -</u>	<u>\$ 244,598</u>	<u>\$ 480,332</u>	<u>\$ 6,513</u>	<u>\$ 86,350</u>	<u>\$ 101,495</u>	<u>\$ 20,614</u>	<u>\$ -</u>	<u>\$ 939,902</u>
Net at December 31, 2022	<u>\$ 99,458</u>	<u>\$ 33,815</u>	<u>\$ 107,377</u>	<u>\$ 4,622</u>	<u>\$ 46,068</u>	<u>\$ 55,484</u>	<u>\$ 23,757</u>	<u>\$ 259,893</u>	<u>\$ 630,474</u>

Unrecognized or reversal on impairment loss in 2023 and 2022.

Depreciation expense on a straight-line basis is calculated according to the following useful lives:

Buildings	
Main building of the plant	15 to 50 years
Others	3 to 25 years
Machinery equipment	2 to 20 years
Transportation equipment	5 to 15 years
Hydropower equipment	5 to 40 years
Miscellaneous equipment	0.75 to 40 years
Lease improvement	0.25 to 6 years

15. Lease agreements

1) Right-of-use assets

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Carrying amount of right-of-use assets		
Land	\$ 4,306	\$ 7,345
Buildings	138,793	166,320
Office equipment	1,211	1,629
Transportation equipment	7,895	4,399
Other equipment	<u>1,659</u>	<u>-</u>
	<u>\$ 153,864</u>	<u>\$ 179,693</u>

	<u>2023</u>	<u>2022</u>
Additions to right-of-use assets	<u>\$ 18,165</u>	<u>\$ 90,472</u>
Disposal of right-of use assets	<u>\$ -</u>	<u>\$ 13,174</u>
Depreciation expense of right-of-use assets		
Land	\$ 3,039	\$ 3,686
Buildings	40,296	40,787
Office equipment	418	395
Transportation equipment	3,196	3,013
Other equipment	<u>425</u>	<u>162</u>
	<u>\$ 47,374</u>	<u>\$ 48,043</u>

Except for the recognition of depreciation expense, the consolidated Company's right-of-use assets did not experience significant sub-lease or impairments for the years ended 2023 and 2022.

2) Lease liabilities

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Carrying amount of lease liabilities		
Current	<u>\$ 48,632</u>	<u>\$ 45,868</u>
Non-current	<u>\$ 110,156</u>	<u>\$ 138,926</u>

Discount rate ranges for lease liabilities are as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Land	1.6914%	1.6914%
Buildings	0.946%~1.721%	0.946%~1.457%
Office equipment	0.9%~0.981%	0.9%~0.981%
Transportation equipment	0.915%~2.3205%	0.915%~1.6623%
Other equipment	1.9436%~2.3205%	-

3) Major lease activities and terms

The consolidated Company leases buildings, office equipment, transportation equipment and other equipment to be used as factories, employee dormitories, business outlets, business vehicles, and equipment for employees all with lease terms of 2 to 6 years. At the end of the lease period, the consolidated Company has no bargain purchase option for the leased building.

4) Other lease information

Please refer to Note 16 for agreements on investment property leased under operating leases.

	December 31, 2023	December 31, 2022
Short-term lease expenses	<u>\$ 8,250</u>	<u>\$ 15,533</u>
Total cash (outflow) for leases	<u>(\$ 57,583)</u>	<u>(\$ 63,964)</u>

The consolidated Company elects to apply the recognition exemption on certain other equipment and leases which meet the criteria for short-term leases and thus, does not recognize right-of-use assets and lease liabilities for these leases.

16. Investment properties

	Land	Buildings	Investment properties under progress	Total
<u>Cost</u>				
Balance at January 1, 2023	\$ 4,503,359	\$ 1,335,299	\$ -	\$ 5,838,658
Additions	-	2,671	273,688	276,359
Reclassifications	-	-	259,818	259,818
Disposals	(<u>297</u>)	<u>-</u>	<u>-</u>	(<u>297</u>)
Balance at December 31, 2023	<u>\$ 4,503,062</u>	<u>\$ 1,337,970</u>	<u>\$ 533,506</u>	<u>\$ 6,374,538</u>
<u>Accumulated depreciation and impairment</u>				
Balance at January 1, 2023	\$ -	\$ 762,077	\$ -	\$ 762,077
Depreciation Expense	<u>-</u>	<u>27,214</u>	<u>-</u>	<u>27,214</u>
Balance at December 31, 2023	<u>\$ -</u>	<u>\$ 789,291</u>	<u>\$ -</u>	<u>\$ 789,291</u>
Net at December 31, 2023	<u>\$ 4,503,062</u>	<u>\$ 548,679</u>	<u>\$ 533,506</u>	<u>\$ 5,585,247</u>
<u>Cost</u>				
Balance at January 1, 2022	\$ 4,423,448	\$ 1,350,963	\$ -	\$ 5,774,411
Additions	-	627	-	627
Reclassifications	79,911	(15,907)	-	64,004
Disposals	<u>-</u>	(<u>384</u>)	<u>-</u>	(<u>384</u>)
Balance at December 31, 2022	<u>\$ 4,503,359</u>	<u>\$ 1,335,299</u>	<u>\$ -</u>	<u>\$ 5,838,658</u>
<u>Accumulated depreciation and impairment</u>				
Balance at January 1, 2022	\$ -	\$ 750,901	\$ -	\$ 750,901

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	Land	Buildings	Investment properties under progress	Total
Depreciation expense	-	27,128	-	27,128
Reclassifications	-	(15,568)	-	(15,568)
Disposals	-	(384)	-	(384)
Balance at December 31, 2022	<u>\$ -</u>	<u>\$ 762,077</u>	<u>\$ -</u>	<u>\$ 762,077</u>
Net at December 31, 2022	<u>\$ 4,503,359</u>	<u>\$ 573,222</u>	<u>\$ -</u>	<u>\$ 5,076,581</u>

The investment property is subject to lease terms of 1 to 20 years. All operating lease agreements contain a provision whereby the lessee, in exercising the right to renew the lease, adjusts the rent in accordance with 3% to 5% of the prevailing market rent rate. Lessees do not have the bargain purchase option to acquire the property at the end of the lease term.

The total amount of future lease payments to be collected for investment property on operating lease is as follows:

	December 31, 2023	December 31, 2022
The first year	\$ 308,025	\$ 306,392
The second year	275,877	249,434
The third year	202,123	220,032
The fourth year	184,619	183,274
The fifth year	164,762	170,524
Over 5 years	<u>1,208,270</u>	<u>1,366,689</u>
	<u>\$ 2,343,676</u>	<u>\$ 2,496,345</u>

Depreciation expense on a straight-line basis is calculated according to the following useful lives:

Buildings	
Main building of the plant	4 to 50 years
Others	2 to 20 years

The fair value of investment real estate as of the year ended on December 31, 2023 and 2022 by appraiser Zhen-Xing Lin and Yu-Hua Luo from qualified Dawa Real Estate Appraisal Firm. The comparison method and income approaches were adopted. The fair value obtained from the appraisal is as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Fair value	<u>\$ 36,527,202</u>	<u>\$ 32,018,500</u>

The consolidated Company held freehold interests in all of its investment properties. Please refer to Note 32 for the amount of investment property pledged as collateral for borrowings.

17. Other Intangible Assets

	<u>Cost of Computer Software</u>
<u>Cost</u>	
Balance at January 1, 2023	\$ 6,948
Acquisition	4,547
Disposals	(4,057)
Balance at December 31, 2023	<u>\$ 7,438</u>
 <u>Accumulated amortization and impairment</u>	
Balance at January 1, 2023	\$ 3,678
Amortization expense	2,499
Disposals	(3,697)
Balance at December 31, 2023	<u>\$ 2,480</u>
 Net at December 31, 2023	 <u>\$ 4,958</u>
 <u>Cost</u>	
Balance at January 1, 2022	\$ 4,865
Acquisition	2,783
Reclassifications	180
Disposals	(880)
Balance at December 31, 2022	<u>\$ 6,948</u>
 <u>Accumulated amortization and impairment</u>	
Balance at January 1, 2022	\$ 2,408
Amortization expense	2,150
Disposals	(880)
Balance at December 31, 2022	<u>\$ 3,678</u>
 Net at December 31, 2022	 <u>\$ 3,270</u>

Amortization expense is calculated on a straight-line basis over the following useful lives:

Cost of Computer Software	2 to 5 ears
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18. Other Assets

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>Current</u>		
Prepayments		
Prepaid expenses	\$ 19,334	\$ 19,749
Prepayments to suppliers	67,560	38,944
Overpaid sales tax	<u>8,523</u>	<u>3,678</u>
	<u>\$ 95,417</u>	<u>\$ 62,371</u>
Other Assets		
Other	<u>\$ 3,011</u>	<u>\$ 2,973</u>
<u>Non-current</u>		
Refundable deposits	\$ 73,709	\$ 64,110
Net defined benefit assets (Note 22)	5,976	8,565
Prepayments for equipment	3,730	1,390
Prepaid Land Payments (Note 33)	105,977	-
Other	<u>2,691</u>	<u>3,900</u>
	<u>\$ 192,083</u>	<u>\$ 77,965</u>

The prepaid land payments refers to the co-development of the land in Neihu Dist., Taipei City by the consolidated Company and Chong Hong Construction Co., Ltd. The consolidated Company also purchases land located in Zhongzheng Dist., Taipei City, from an unrelated third party for the purpose of building the factory floor space.

19. Borrowings

1) Short-term borrowings

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>Secured borrowings</u> (Note 32)		
Bank borrowings	\$ 2,746,000	\$ 2,920,000
<u>Unsecured borrowings</u>		
Line of credit loans	<u>300,000</u>	<u>150,000</u>
	<u>\$ 3,046,000</u>	<u>\$ 3,070,000</u>

The ranges of interest rates on bank borrowings were 1.7% to 2.1473% and 1.55% to 2.0151% as of December, 31, 2023 and 2022, respectively.

2) Short-term bills payable

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Commercial paper payable	\$ 100,000	\$ -
Less: Discounts on short-term bills payable	(<u>69</u>)	<u>-</u>
	<u>\$ 99,931</u>	<u>\$ -</u>

The outstanding short-term bills payable as of the balance sheet date are as follows:

December 31, 2023

Guarantor/Accepting Institution	Nominal Amount	Discounted Amount	Carrying amount	Interest Rate	Name of Collateral	Carrying Amount of Collateral
Taiwan Finance Cooperation (I)	\$ <u>100,000</u>	(\$ <u>69</u>)	\$ <u>99,931</u>	1.45%	None	None

December 31, 2022: None.

3) Long-term borrowings

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>Secured borrowings</u> (Note 32)		
Bank borrowings	\$ 402,780	\$ 159,082
Less: Listed as part due within 1 year	<u>-</u>	<u>-</u>
Long-term borrowings	<u>\$ 402,780</u>	<u>\$ 159,082</u>

a. The above long-term borrowings are the project borrowings of Shinkong Asset Management Co., Ltd. to build the plant. As of December 31, 2023 and 2022, the effective annual interest rate is 2.2437% to 2.3718% and 1.8448% to 2.229% respectively. The principal is repaid in accordance with the borrowing contract.

b. The above long-term borrowings were secured by the pledge of the consolidated Company's investment property (Please refer to Note 32).

20. Notes and Accounts Payable

The consolidated Company has financial risk management policies to ensure that all payables are paid within the pre-agreed payment terms.

21. Other liabilities

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>Current</u>		
Other payables		
Tax payable	\$ 4,975	\$ 4,880
Employee compensation payable	30,319	24,509
Director compensation payable	15,600	21,800
Salaries and bonus payable	63,649	71,555
Pension payable	2,899	2,479
Services expense payable	1,415	1,410
Electricity and fuels payable	7,889	9,011
Interest payable	2,474	2,584
Other	<u>56,744</u>	<u>50,670</u>
	<u>\$ 185,964</u>	<u>\$ 188,898</u>
Other payables - related parties (Note 31)	<u>\$ 2,302</u>	<u>\$ 1,822</u>
Other liabilities		
Temporary credits	\$ 221	\$ 20,890
Receipts under custody	3,257	2,873
Other	<u>403</u>	<u>149</u>
	<u>\$ 3,881</u>	<u>\$ 23,912</u>
<u>Non-current</u>		
Other liabilities		
Guarantee deposits received (1)	\$ 206,075	\$ 106,680
Accounts payable (2)	36,717	-
Other	<u>14</u>	<u>14</u>
	<u>\$ 242,806</u>	<u>\$ 106,694</u>

- (1) The consolidated Company has entered into a construction contract with Chang Hong Construction Co., Ltd. for engaging others to build on its own land. As part of the agreement, a deposit of NT\$100,000 thousand was provided.
- (2) This refers to the construction project retention fund of the consolidated Company, which is for engaging others to build on its own land in the Shilin District, Taipei City.

Deferred revenue is related to the consolidated Company's A+ Industrial Innovative R&D program by Ministry of Economic Affairs and was mainly used to establish a research and development center in Taiwan. The purchases of sundry equipments were recognized as deferred revenue. Changes are as follows:

	2023	2022
Balance at the beginning of the year	\$ -	\$ 28
Amortization for the period (recognized as deductions to depreciation expense)	-	(28)
Balance at the end of the year	<u>\$ -</u>	<u>\$ -</u>

22. Post-employment benefit plans

1) Defined contribution plans

The Company, which is under the consolidated Company, and Shinkong Asset Management Co., Ltd. have adopted a pension plan under the Labor Pension Act, which is a state-managed defined contribution plan. According to the Labor Pension Act, the Company makes monthly contributions to employees' individual pension accounts at 6% of their monthly salaries and wages.

2) Defined benefit plans

The pension system adopted by the consolidated Company under the "Labor Standards Act" is a state-managed defined benefit plan. The payment of the employee's pension is based on the period of service and the average salary of six months before the approved retirement date. The Company contributes monthly an amount equal to 2% of the employees' monthly salaries and wages to a retirement fund that is deposited with Bank of Taiwan under the name of The Supervisory Committee of Workers' Retirement Fund. Before the end of year, if the balance at the retirement fund is not sufficient to pay employees who will meet the retirement criteria next year, a lump-sum deposit for the shortfall should be made before the end of March of the following year. The Bureau of Labor Funds, Ministry of Labor administers the account. The Company has no right over its investment and administration strategies.

The amounts of defined benefit plans included in the consolidated balance sheets are as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Present value of defined benefit obligation	\$ 49,244	\$ 44,766
Fair value of plan assets	(<u>55,220</u>)	(<u>53,331</u>)
Net defined benefit assets	(<u>\$ 5,976</u>)	(<u>\$ 8,565</u>)

Changes in net defined benefit assets are as follows:

	<u>Present value of defined benefit obligation</u>	<u>Fair value of plan assets</u>	<u>Net defined benefit assets</u>
Balance at January 1, 2022	<u>\$ 48,268</u>	(<u>\$ 51,142</u>)	(<u>\$ 2,874</u>)
Service costs			
Current service costs	137	-	137
Interest expense (income)	<u>302</u>	(<u>323</u>)	(<u>21</u>)
Recognized in profit or loss	<u>439</u>	(<u>323</u>)	<u>116</u>
Remeasurements			
Return on plan assets (excluding amounts that are included in net interest)	-	(3,963)	(3,963)
Actuarial gains - financial assumption changes	(424)	-	(424)
Actuarial losses - experience adjustments	(<u>533</u>)	<u>-</u>	(<u>533</u>)
Recognized in other comprehensive profit and loss	(<u>957</u>)	(<u>3,963</u>)	(<u>4,920</u>)
Contributions from the employer	<u>-</u>	(<u>887</u>)	(<u>887</u>)
Number of plan assets delivered	(<u>2,984</u>)	<u>2,984</u>	<u>-</u>
Balance at December 31, 2022	<u>44,766</u>	(<u>53,331</u>)	(<u>8,565</u>)
Service costs			
Current service costs	136	-	136
Service costs in the previous period	3,147	-	3,147
Interest expense (income)	<u>559</u>	(<u>672</u>)	(<u>113</u>)
Recognized in profit or loss	<u>3,842</u>	(<u>672</u>)	<u>3,170</u>

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	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit assets
Remeasurements			
Return on plan assets (excluding amounts that are included in net interest)	-	(477)	(477)
Actuarial losses - changes in financial assumptions	433	-	433
Actuarial losses - experience adjustments	<u>358</u>	<u>-</u>	<u>358</u>
Recognized in other comprehensive profit and loss	<u>791</u>	(<u>477</u>)	<u>314</u>
Contributions from the employer	<u>-</u>	(<u>895</u>)	(<u>895</u>)
Number of plan assets delivered	(<u>155</u>)	<u>155</u>	<u>-</u>
Balance at December 31, 2023	<u>\$ 49,244</u>	(<u>\$ 55,220</u>)	(<u>\$ 5,976</u>)

The consolidated Company has the following risks owing to the implementation of the pension system under the “Labor Standards Act”:

- Investment risks: The Bureau of Labor Funds, Ministry of Labor invests the labor pension fund in domestic (foreign) equity securities, debt securities, and bank deposits at its own discretion or under the mandated management. However, the distributed amount from the plan assets to the consolidated Company shall not be lower than interest on a two-year time deposit at a local bank.
- Interest rate risk: The decrease in the interest rate of government bonds will increase the present value of defined benefit obligations, but the return on debt investment of plan assets will also increase accordingly, which will partially offset the impact on net defined benefit liabilities.
- Salary risk: The present value of defined benefit obligations is calculated with reference to future salaries of plan members. Therefore, the salary increase of plan members will increase the present value of the defined benefit obligation.

The present value of the consolidated Company's defined benefit obligations is calculated by certified actuaries and the major assumptions on the assessment date are as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Discount rate	1.125%	1.250%
Expected rate of salary increase	2.750%	2.750%

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

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Discount rate		
Increase by 0.25%	(\$ <u>859</u>)	(\$ <u>740</u>)
Decrease by 0.25%	<u>\$ 888</u>	<u>\$ 760</u>
Expected rate of salary increase		
Increase by 0.25%	<u>\$ 860</u>	<u>\$ 736</u>
Decrease by 0.25%	(\$ <u>837</u>)	(\$ <u>720</u>)

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

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Expected contributions to the plan within one year	<u>\$ 915</u>	<u>\$ 895</u>
Average duration of defined benefit obligations	8.1 years	6.7 years

23. Equity

1) Share capital

Common shares

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Number of shares authorized (in thousands)	<u>360,000</u>	<u>360,000</u>
Share capital authorized	<u>\$ 3,600,000</u>	<u>\$ 3,600,000</u>
Number of shares issued and fully paid (in thousands)	<u>300,041</u>	<u>300,041</u>
Share capital issued	<u>\$ 3,000,413</u>	<u>\$ 3,000,413</u>

Common stocks issued have a par value of NT\$10. Each share is entitled to one voting right as well as the right to dividends.

2) Capital surplus

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>May not be used for any purpose</u>		
Treasury share transactions	\$ 9,549	\$ 8,344
Dividends on stocks that have not been collected before the designated date	<u>3,836</u>	<u>1,666</u>
	<u>\$ 13,385</u>	<u>\$ 10,010</u>

Capital surplus - treasury shares represent dividends received from the holding of the parent company's shares by the 100%-owned subsidiary.

3) Retained earnings and dividend policy

Based on the earnings distribution policy stated in the amended Articles of Association, the annual earnings of the Company, if any, shall be first appropriated to pay taxes and offset accumulated losses before allocating 10% of the remaining earnings to the legal reserve (not applicable where accumulated legal reserve has equaled the Company's paid-in capital). A special reserve is then appropriated or reversed pursuant to applicable laws and regulations. The Board of Director would then prepare earnings distribution proposal based on the remaining balance together with accumulated unappropriated earnings. When recognizing special surplus reserves in compliance with the law, if there is an insufficient provision for the "net increase amount in fair value of investment properties accumulated in the previous period" and the "net amount of less items in other equity items accumulated in the previous period", an equal amount should be provisioned from the unappropriated profits of the previous period as special surplus reserves before appropriating profits. If the insufficient amount still remains, it should be provisioned from the current unappropriated profits by including the current post-tax net income as well as other items not included in the current post-tax net income. Where the earnings are distributed in the form of cash, the Board of Directors is authorized to approve the distribution by a resolution approved by a majority vote at a meeting attended by over two-thirds of the Directors and report to the shareholders' meeting. Where they are distributed in the form of stock dividends, the distribution shall be resolved at the shareholders' meeting. For the policies on distribution of compensation to employees and contribution to directors in the Group's Articles of Incorporation,

please refer to Note XXV(VII) Compensation to employees and remuneration to directors.

The Company shall set aside a legal reserve until its balance equals the Company's paid-in capital. The legal reserve may be used to make up for losses. When the Company has no loss, the portion of the legal reserve exceeding 25% of the total paid-in capital may be appropriated in the form of cash, in addition to being transferred to share capital.

The distribution of earnings of the Company for years 2022 and 2021 approved in the shareholders' meetings on May 26, 2023 and June 10, 2022, respectively, was as follows:

	<u>2022</u>	<u>2021</u>
Legal surplus reserve	<u>\$ 206,355</u>	<u>\$ 44,490</u>
Cash dividends	<u>\$ 450,062</u>	<u>\$ 300,041</u>
Earnings per share (NT\$)	\$ 1.5	\$ 1

The Company's distribution of earnings of 2023 was subject to the resolution of Board of Directors and the shareholders' meeting in 2024.

4) Special reserve

	<u>2023</u>	<u>2022</u>
Balance at the beginning of the year	\$ 1,006,548	\$ 1,006,548
Disposal of investment properties	(<u>192</u>)	<u>-</u>
Balance at the end of the year	<u>\$ 1,006,356</u>	<u>\$ 1,006,548</u>

On November 2, 2023, the parent company of the consolidated Company, Shin Kong Textile Co., Ltd., sold land number 679 in Qiaoi District, Taoyuan City. The above transaction was completed on November 23, 2023 with the transfer of ownership. In accordance with IFRS 1, the previously recognized portion of special reserve was reversed, resulting in a transfer of NT\$192 thousand from special reserve to retained earnings. In addition, investment property benefits totaling NT\$3,377 thousand were recognized and disposed of.

5) Other equity item

Unrealized gains (losses) on financial assets at fair value through other comprehensive profit and loss

	<u>2023</u>	<u>2022</u>
Balance at the beginning of the year	\$ 4,420,162	\$ 4,458,304
Accrued in the current year		
Unrealized gains (losses)		
Equity instruments	1,120,905	(19,367)
Share of associates accounted for using the equity method	<u>82,779</u>	(<u>31,133</u>)
Other comprehensive profit and loss for the year	<u>1,203,684</u>	(<u>50,500</u>)
Accumulated gains (losses) on disposal of equity instruments transferred to retained earnings	(<u>93,810</u>)	<u>12,358</u>
Balance at the end of the year	<u>\$ 5,530,036</u>	<u>\$ 4,420,162</u>

6) Treasury share

<u>Reason for repurchase</u>	<u>Shares of parent company held by subsidiaries (in thousands)</u>
Number of shares on January 1, 2023	<u>804</u>
Number of shares on December 31, 2023	<u>804</u>
Number of shares on January 1, 2022	<u>804</u>
Number of shares on December 31, 2022	<u>804</u>

Information on subsidiaries holding the Company's shares on the balance sheet date is as follows:

December 31, 2023

Name of subsidiary	No. of shareholding (in thousands)	Carrying amount	Market value
Shinkong Asset Management Co., Ltd.	<u>804</u>	<u>\$ 13,174</u>	<u>\$ 38,503</u>

December 31, 2022

Name of subsidiary	No. of shareholding (in thousands)	Carrying amount	Market value
Shinkong Asset Management Co., Ltd.	<u>804</u>	<u>\$ 13,174</u>	<u>\$ 32,193</u>

Treasury shares held by the Company may be neither pledged nor assigned rights such as dividend distribution and voting rights in accordance with the Securities and Exchange Act. Subsidiaries holding the Company's shares, which are considered treasury shares, are bestowed shareholders' rights, except for the rights to participate in any share issuance for cash and to vote.

24. Revenue

	<u>2023</u>	<u>2022</u>
Revenue from contracts with customers		
Revenue from the sale of textiles	\$ 2,229,183	\$ 2,220,377
Retail sale/Revenue from sale of garment	778,650	760,688
Rental revenue	374,364	367,621
Other	<u>748</u>	<u>603</u>
	<u>\$ 3,382,945</u>	<u>\$ 3,349,289</u>

1) Details on contracts with customers

The prices of fabrics sold by the textile business unit of the Marketing Department to garment manufacturers and products sold by the Retail Department were fixed by mutual agreements.

For investment properties leased under operating leases by the Real Estate Department, the consolidated Company negotiated the lease contracts with reference to market rentals.

2) Contract balance

	December 31, 2023	December 31, 2022	January 1, 2022
Notes receivable (Note 10)	\$ 11,031	\$ 9,915	\$ 29,684
Accounts receivable (Note 10)	<u>427,424</u>	<u>339,152</u>	<u>400,077</u>
	<u>\$ 438,455</u>	<u>\$ 349,067</u>	<u>\$ 429,761</u>
Contract liabilities			
Sale of goods	\$ 13,273	\$ 19,177	\$ 13,307
Rental revenue of investment property	<u>9,073</u>	<u>10,628</u>	<u>12,736</u>
Contract liabilities - current	<u>\$ 22,346</u>	<u>\$ 29,805</u>	<u>\$ 26,043</u>

3) Breakdown of revenue from contracts with customers

Please refer to Note 36 for the breakdown of revenue from contracts with customers.

25. Net income

1) Interest income

	2023	2022
Bank deposits	\$ 23,099	\$ 6,570
Other	<u>84</u>	<u>40</u>
	<u>\$ 23,183</u>	<u>\$ 6,610</u>

2) Other income

	2023	2022
Dividend income	\$ 354,184	\$ 362,884
Other	<u>16,224</u>	<u>2,173</u>
	<u>\$ 370,408</u>	<u>\$ 365,057</u>

3) Other gains and losses

	2023	2022
Gains (Losses) on financial assets and financial liabilities		
Financial assets designated as at fair value through profit or loss	(\$ 4,739)	(\$ 16,162)

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	2023	2022
Financial assets mandatorily measured at fair value through profit or loss	28,472	66,028
Loss on disposal of property, plant and equipment	(25)	(669)
Loss on disposal of intangible asset	(360)	-
Disposal of investment properties	3,377	-
Gains on disposal of other non- current assets held for sale (Note 1)	\$ -	\$ 1,511,741
Net foreign exchange gain (losses)	(13,286)	66,274
Miscellaneous Expenses (Note 2)	(<u>18,677</u>)	(<u>72,935</u>)
	(<u>\$ 5,238</u>)	\$ <u>1,554,277</u>

Note 1: Shin Kong Asset Management Co., Ltd. of the consolidated Company adopted the sales of Yangming section 4th Subsection 200-3, Shilin District, at the third meeting of the 7th board of meeting on November 19, 2021 to its related party Shin Kong Medical Foundation. The contract was signed on November 24, 2021 with an amount of NT\$1,630,766 thousand. The transfer of ownership was completed on January 7, 2022.

Note 2: Due to the ongoing impact of the COVID-19 pandemic, the persistent labor shortage in the country, and the imbalance in the supply of raw materials caused by the Russo-Ukrainian war, the bidding interest of construction companies has been affected. As a result, all bids for the construction of the office building on the consolidated Company's pieces of land number 200-07, 200-10, 200-11, and 200-12 in the Yangming section of Shilin District, Taipei City have exceeded the estimated price. Based on the Table of Construction Industry Engineering Price Index (Total Index), when comparing the indices of 2021 and 2022 with the those of 2018, when this project began planning, there has been a 27% increase in price. This increase rate exceeds the gap of the same duration in nearly 30 years. In accordance with a resolution made

by the Board of Directors, the development has been temporarily postponed. As a result, the pre-development costs of NT\$67,922 thousand have been reclassified as losses and recorded as miscellaneous expense.

4) Finance costs

	2023	2022
Interest on bank borrowings	\$ 55,382	\$ 32,534
Interest on short-term bills	1,941	3,599
Interest on lease liabilities	1,782	1,686
Less: Amount that meets the demand of asset cost is listed	(<u>5,653</u>)	(<u>1,381</u>)
	<u>\$ 53,452</u>	<u>\$ 36,438</u>

Interest capitalization information is as follows:

	2023	2022
Amount of interest capitalization	\$ 5,653	\$ 1,381
Interest of interest capitalization	1.8448%~ 2.3718%	1.4797%~ 2.2290%

5) Depreciation and amortization

	2023	2022
Depreciation expense is summarized by function		
Operating costs	\$ 96,960	\$ 96,354
Operating expenses	<u>52,045</u>	<u>48,930</u>
	<u>\$ 149,005</u>	<u>\$ 145,284</u>
Amortization expense is summarized by function		
Operating costs	\$ 409	\$ 376
Operating expenses	<u>2,090</u>	<u>1,774</u>
	<u>\$ 2,499</u>	<u>\$ 2,150</u>

6) Employee benefit expense

	2023	2022
Post-employment benefits		
Defined contribution plans	\$ 17,099	\$ 16,890
Defined benefit plans (Note 22)	<u>3,170</u>	<u>116</u>
	<u>20,269</u>	<u>17,006</u>
Other employee benefits	<u>524,122</u>	<u>520,954</u>
Total employee benefit expense	<u>\$ 544,391</u>	<u>\$ 537,960</u>
Summarized by functions		
Operating costs	\$ 196,121	\$ 193,820
Operating expenses	<u>348,270</u>	<u>344,140</u>
	<u>\$ 544,391</u>	<u>\$ 537,960</u>

7) Compensation to employees and compensation to directors

According to the Company's Articles of Incorporation, the compensation to employees shall not be lower than 1% and the compensation to directors shall not be higher than 5% of the income before income tax, compensation to employees and compensation to directors. Compensation to employees and compensation to directors for the years of 2023 and 2022 resolved in the Board of Directors meetings on March 8, 2024 and March 9, 2023, respectively, were as follows:

Accrual rate

	2023	2022
Compensation to employees	1.98%	1.00%
Compensation to directors	1.98%	1.00%

Amount

	2023	2022
	Cash	Cash
Compensation to employees	<u>\$ 15,600</u>	<u>\$ 21,800</u>
Compensation to directors	<u>\$ 15,600</u>	<u>\$ 21,800</u>

If the amount changed after the annual consolidated financial statements are authorized for issue, the differences shall be treated as a change in accounting estimates in the following year.

There was no difference between the amounts actually allocated for compensations to employees and directors for 2022 and 2021 and those recognized in the consolidated financial reports for 2022 and 2021.

For information on the compensation to employees and directors of the company, please visit the “Market Observation Post System” of Taiwan Stock Exchange.

8) Net gain (loss) on foreign exchange

	2023	2022
Total foreign exchange gains	\$ 22,255	\$ 80,563
Total foreign exchange (losses)	(35,541)	(14,289)
Net profits (losses)	(\$ 13,286)	\$ 66,274

26. Income tax

1) Main components of income tax expense (benefit) recognized in profit or loss

	2023	2022
Current income tax		
Incurred in this year	\$ 73,053	\$ 59,428
Additional tax levied on the unappropriated earnings	67,467	3,763
Adjustments for previous years	(7,813)	(2,261)
Land value increment tax	<u>357</u>	<u>139,749</u>
	<u>133,064</u>	<u>200,679</u>
Deferred income tax		
Incurred in this year	(9,045)	11,970
Land value increment tax	<u>-</u>	(20,114)
	(9,045)	(8,144)
Income tax expense recognized in profit or loss	<u>\$ 124,019</u>	<u>\$ 192,535</u>

The reconciliation of accounting income and income tax expense is as follows:

	2023	2022
Net income before tax	<u>\$ 772,967</u>	<u>\$ 2,263,521</u>
Net income before tax: Income tax expenses calculated at the statutory tax rate	\$ 150,090	\$ 424,041

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	<u>2023</u>	<u>2022</u>
Non-deductible expense and loss on tax	21	184
Tax-exempted income	(87,070)	(349,977)
Additional tax levied on the unappropriated earnings	67,467	3,763
Unrecognized deductible temporary difference	967	(2,850)
Land value increment tax	357	119,635
Adjustment of current income tax expense from previous years in the current period	(<u>7,813</u>)	(<u>2,261</u>)
Income tax expense recognized in profit or loss	<u>\$ 124,019</u>	<u>\$ 192,535</u>
2) Income tax recognized in other comprehensive profit and loss		
	<u>2023</u>	<u>2022</u>
<u>Deferred income tax</u>		
Incurred in this year		
— Translating the financial statements of foreign operations	(\$ 23)	\$ 32
— Share of other comprehensive profit and loss of associates accounted for using the equity method	(<u>355</u>)	<u>1,311</u>
	(<u>\$ 378</u>)	<u>\$ 1,343</u>
3) Current income tax assets and liabilities		
	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Current tax assets		
Tax refunds receivable	<u>\$ 2,100</u>	<u>\$ -</u>
Current tax liabilities		
Income tax payable	<u>\$ 131,975</u>	<u>\$ 58,559</u>

4) Deferred income tax assets and liabilities

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

2023

	Balance at the beginning of the year	Recognized in profit or loss	Recognized in other comprehensive profit and loss	Balance at the end of the year
<u>Deferred tax assets</u>				
Temporary differences				
Exchange differences on translating the financial statements of foreign operations	\$ 564	\$ -	\$ 378	\$ 942
Loss on inventory write-down	29,126	4,532	-	33,658
Difference on unrealized foreign exchange gain (loss)	-	2,154	-	2,154
Other	<u>1</u>	<u>-</u>	<u>-</u>	<u>1</u>
	<u>\$ 29,691</u>	<u>\$ 6,686</u>	<u>\$ 378</u>	<u>\$ 36,755</u>
<u>Deferred tax liabilities</u>				
Temporary differences				
Defined benefit retirement plans	\$ 2,873	(\$ 455)	\$ -	\$ 2,418
Gains (losses) on foreign investments accounted for using the equity method	2,673	(894)	-	1,779
Difference on unrealized foreign exchange gain (loss)	1,977	(1,977)	-	-
Financial assets at fair value through profit or loss	12,842	968	-	13,810
Land value increment tax	<u>741,317</u>	(<u>1</u>)	<u>-</u>	<u>741,316</u>
	<u>\$ 761,682</u>	<u>(\$ 2,359)</u>	<u>\$ -</u>	<u>\$ 759,323</u>

2022

	Balance at the beginning of the year	Recognized in profit or loss	Recognized in other comprehensive profit and loss	Balance at the end of the year
<u>Deferred tax assets</u>				
Temporary differences				
Exchange differences on translating the financial statements of foreign operations	\$ 1,907	\$ -	(\$ 1,343)	\$ 564

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	Balance at the beginning of the year	Recognized in profit or loss	Recognized in other comprehensive profit and loss	Balance at the end of the year
Loss on inventory write-down	25,321	3,805	-	29,126
Difference on unrealized foreign exchange gain (loss)	1,373	(1,373)	-	-
Other	<u>330</u>	(<u>329</u>)	<u>-</u>	<u>1</u>
	<u>\$ 28,931</u>	<u>\$ 2,103</u>	(<u>\$ 1,343</u>)	<u>\$ 29,691</u>
<u>Deferred tax liabilities</u>				
Temporary differences				
Defined benefit retirement plans	\$ 2,719	\$ 154	\$ -	\$ 2,873
Gains (losses) on foreign investments accounted for using the equity method	3,573	(900)	-	2,673
Difference on unrealized foreign exchange gain (loss)	-	1,977	-	1,977
Financial assets at fair value through profit or loss	-	12,842	-	12,842
Land value increment tax	<u>761,431</u>	(<u>20,114</u>)	<u>-</u>	<u>741,317</u>
	<u>\$ 767,723</u>	(<u>\$ 6,041</u>)	<u>\$ -</u>	<u>\$ 761,682</u>

Land revaluation of the consolidated Company's freehold land was carried out at the assessed present value in July 1981 and November 2000, respectively, and the provision for land value increment tax of NT\$741,316 thousand and NT\$741,317 thousand (under deferred income tax liabilities) was recognized as of December 31, 2023 and 2022, respectively.

- 5) Deductible temporary difference for which no Deferred income tax assets have been recognized in the parent company only balance sheets

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Deductible temporary difference		
Impairment loss	<u>\$ 7,187</u>	<u>\$ 7,187</u>

- 6) Income tax assessment

The business income tax returns of the Company and the subsidiary, Shinkong Asset, through 2020 have been assessed by the tax authorities. The business income tax

returns of the subsidiaries, Xin Fu Development and One Full, through 2021 have been assessed by the tax authorities. The business income tax returns of the subsidiaries, Hua Yang Motor, through 2022 have been assessed by the tax authorities. As SK is registered at Samoa, it does not have to file business income tax returns. Thus, the income tax assessment is not applicable. Shanghai Xin Ying had applied to local regulations; it had accrued tax payable and income tax expense.

Pursuant to Article 40 of the Business Mergers and Acquisitions Act, the consolidated Company elected the Company to be the tax payer to file a final business income tax return as well as combined declare the unappropriated earnings with an additional business income tax with the 100%-owned Shinkong Asset.

27. Earnings per share (EPS)

	Unit: NT\$ per share	
	2023	2022
Basic EPS	<u>\$ 2.17</u>	<u>\$ 6.92</u>
Diluted EPS	<u>\$ 2.17</u>	<u>\$ 6.91</u>

Net income and weighted average number of common stocks used for the calculation of EPS are as follows:

Net income

	2023	2022
Net income for the calculation of basic EPS	<u>\$ 648,948</u>	<u>\$ 2,070,986</u>
Net income for the calculation of diluted EPS	<u>\$ 648,948</u>	<u>\$ 2,070,986</u>

Number of shares

	Unit: In thousands of shares	
	2023	2022
Weighted average number of common shares used for calculation of basic earnings per share	299,237	299,237
Effect of potentially dilutive common shares: Employee compensation	<u>421</u>	<u>594</u>

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	<u>2023</u>	<u>2022</u>
Weighted average number of common shares used for calculation of diluted earnings per share	<u>299,658</u>	<u>299,831</u>

If the consolidated Company may choose to offer employee compensation in the form of cash or stock, while calculating the diluted earnings per share, it shall assume the compensation is to be paid in the form of stock, and include the potentially dilutive common shares in the weighted average number of outstanding shares for the calculation of diluted earnings per share. The dilutive effect of such potential common shares shall continue to be considered when calculating the diluted earnings per share before the number of shares to be distributed as employee compensation is approved in the following year.

28. Cash Flow Information

1) Non-cash transactions

Besides disclosures in other notes, the consolidated Company engaged in the following non-cash investing activities for the years of 2023 and 2022:

- a. The consolidated Company reclassified prepayments for equipment of NT\$1,285 thousand and NT\$29,0450 thousand to PP&E for the years of 2023 and 2022, respectively (please refer to Note 14 for details);
- b. The consolidated Company reclassified construction in the process of NT\$259,818 thousand to investment properties for the year of 2023 (please refer to Notes 14 and 16 for details);
- c. Reconcile payable in cash of the acquisition of property, plant, equipment, and investment properties are as follows:

	<u>2023</u>	<u>2022</u>
Additions in the year	\$ 332,257	\$ 282,130
Equipment payable and changes in project expense	(<u>44,589</u>)	<u>-</u>
Payment in cash for the acquisition of property, plant, equipment, and investment properties	<u>\$ 287,668</u>	<u>\$ 282,130</u>

- d. The consolidated Company reclassified material expenses of NT\$434 thousand to PP&E for the year of 2023.

- e. The Company reclassified financial assets measured at fair value through other comprehensive income of NT\$537,934 thousand to investments accounted for using the equity method in 2023 (please refer to Note 13 for details).
- f. The consolidated Company reclassified prepaid land expenses of NT\$23,578 thousand to PP&E for the period for the year of 2023 (please refer to Note 14 for details);
- g. The consolidated Company reclassified prepayments for goods of NT\$109 thousand and NT\$2,162 thousand to PP&E for the years of 2023 and 2022, respectively (please refer to Note 14 for details);
- h. The consolidated Company reclassified construction in process of NT\$29 thousand to miscellaneous purchases in 2022 (please refer to Note 14 for details)
- i. The consolidated Company reclassified construction in process of NT\$29 thousand to miscellaneous expenses in 2022 (please refer to Note 14 for details)
- j. The consolidated Company reclassified prepaid land expenses of NT\$86,918 thousand to investment properties for the period for the year of 2022 (please refer to Note 16 for details);
- k. The consolidated Company reclassified prepaid expenses of NT\$180 thousand to intangible assets for the year of 2022 (please refer to Note 17 for details);
- l. The consolidated Company reclassified investment prepayments of NT\$100,000 thousand to financial assets at fair value through other comprehensive profit and loss - non-current for the year of 2022 (please refer to Note 8 for details);
- m. The amount of cash collected by the consolidated Company from disposal of non-current assets to be sold in 2022 is reconciled as follows:

	Amount
Disposal proceeds	\$ 1,630,766
Changes number of received prepayment for real estate	(815,280)
Changes number of temporary payments	(<u>103</u>)
Cash received in the period	<u>\$ 815,383</u>

2) Changes in liabilities from financing activities

2023

	January 1, 2023	Cash Flows	Non-cash Changes				Number of Interest Paid	December 31, 2023
			Additional Leases	Interest Expenses	Remeasurement on Modification	Remeasurement on Termination	Other	
Lease liabilities (Note 15)	<u>\$184,794</u>	<u>(\$ 47,551)</u>	<u>\$ 18,165</u>	<u>\$ 1,782</u>	<u>\$ 3,380</u>	<u>\$ —</u>	<u>\$ —</u>	<u>(\$ 1,782)</u>
								<u>\$158,788</u>

2022

	January 1, 2022	Cash Flows	Non-cash Changes				Number of Interest Paid	December 31, 2022
			Additional Leases	Interest Expenses	Remeasurement on Modification	Remeasurement on Termination	Other	
Lease liabilities (Note 15)	<u>\$155,007</u>	<u>(\$ 46,745)</u>	<u>\$100,235</u>	<u>\$ 1,686</u>	<u>(\$ 2,516)</u>	<u>(\$ 21,125)</u>	<u>(\$ 62)</u>	<u>(\$ 1,686)</u>
								<u>\$184,794</u>

29. Capital Risk Management

The consolidated Company carries out capital management to ensure that entities within the consolidated Company will be able to continue as a going concern while maximizing the return to shareholders through the optimization of the debt and equity balance.

The consolidated Company's capital structure consists of net debts (i.e., borrowings less cash and cash equivalents) and equity (i.e., share capital, capital surplus, retained earnings, other equity and non-controlling interests item).

The consolidated Company is not subject to any other external capital requirements.

The consolidated Company's key management reassesses the capital structure quarterly. The review includes assessment of various costs of capital and related risks. According to the key management's recommendations, the consolidated Company balances its overall capital structure through the payment of dividends, issuance of shares, repurchase of shares, issuance of new debts, repayment of old debts, etc.

30. Financial instruments

1) Information on fair value - financial instruments not measured at fair value

The consolidated Company's management thinks that the carrying amounts of financial assets not at fair value are close to their fair values due to short maturity terms or a future consideration receivable/payable approximating the carrying amount.

2) Information on fair value - financial instruments measured at fair value on a recurring basis

a. Fair value hierarchy

December 31, 2023

	Level 1	Level 2	Level 3	Total
<u>Measured at fair value through profit or loss</u>				
Domestic stocks listed or emerging stocks	\$ 23,960	\$ -	\$ -	\$ 23,960
Fund beneficiary certificates	<u>427,233</u>	<u>-</u>	<u>-</u>	<u>427,233</u>
Total	<u>\$ 451,193</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 451,193</u>

Financial assets at fair value through other comprehensive profit and loss

Investments in equity instruments				
— Domestic stocks listed or emerging stocks	\$ 5,106,887	\$ -	\$ -	\$ 5,106,887
— Domestic stocks not listed	<u>-</u>	<u>-</u>	<u>2,089,260</u>	<u>2,089,260</u>
Total	<u>\$ 5,106,887</u>	<u>\$ -</u>	<u>\$ 2,089,260</u>	<u>\$ 7,196,147</u>

December 31, 2022

	Level 1	Level 2	Level 3	Total
<u>Measured at fair value through profit or loss</u>				
Domestic stocks listed or emerging stocks	\$ 28,698	\$ -	\$ -	\$ 28,698
Fund beneficiary certificates	<u>540,132</u>	<u>-</u>	<u>-</u>	<u>540,132</u>
Total	<u>\$ 568,830</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 568,830</u>

Financial assets at fair value through other comprehensive profit and loss

Investments in equity instruments				
— Domestic stocks listed or emerging stocks	\$ 4,643,453	\$ -	\$ -	\$ 4,643,453
— Domestic stocks not listed	<u>-</u>	<u>-</u>	<u>1,888,998</u>	<u>1,888,998</u>
Total	<u>\$ 4,643,453</u>	<u>\$ -</u>	<u>\$ 1,888,998</u>	<u>\$ 6,532,451</u>

There was no transfer between Level 1 and Level 2 fair value measurements in 2023 and 2022.

b. Reconciliation of Level 3 fair value measurement of financial instruments
2023

Financial assets	Financial assets at fair value through other comprehensive profit and loss Equity instruments
Balance at the beginning of the year	\$ 1,888,998
Recognized in other comprehensive profit and loss (unrealized gains (losses) on financial assets at fair value through other comprehensive profit and loss)	124,005
Addition	100,000
Disposals	(22,763)
Liquidation	(980)
Balance at the end of the year	<u>\$ 2,089,260</u>

2022

Financial assets	Financial assets at fair value through other comprehensive profit and loss Equity instruments
Balance at the beginning of the year	\$ 1,672,275
Recognized in other comprehensive profit and loss (unrealized gains (losses) on financial assets at fair value through other comprehensive profit and loss)	117,047
Reclassifications	100,000
Liquidation	(324)
Balance at the end of the year	<u>\$ 1,888,998</u>

c. Valuation techniques and inputs of Level 3 fair value measurement

The fair value of investments in unlisted stocks without active market is estimated using the market approach.

The market approach estimates the fair value with reference to valuation multiples of comparable companies using a liquidity discount rate. The material unobservable inputs used are with liquidity discount rates of 10% to 30%.

3) Category of financial instruments

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>Financial assets</u>		
Measured at fair value through profit or loss		
Mandatorily measured at fair value through profit or loss	\$ 427,233	\$ 540,132
Designated as at fair value through profit or loss	23,960	28,698
Financial assets at amortized cost (Note 1)	2,150,739	1,821,363
Financial assets at fair value through other comprehensive profit and loss		
Investments in equity instruments	7,196,147	6,532,451
<u>Financial liabilities</u>		
Measured at amortized cost (Note 2)	4,284,073	3,896,939

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

Note 2: The balance includes financial liabilities at amortized costs such as short-term borrowings, long-term borrowings, short-term bills payable, notes and accounts payable, other payables, and guarantee deposits received.

4) Financial risk management objectives and policies

Major financial instruments of the consolidated Company include cash and cash equivalents, financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive profit and loss, accounts receivable, short-term borrowing, short-term bills payable and accounts payable. The financial management department of the consolidated Company provides services for the business units, coordinates access to the domestic and overseas financial market, and supervises and manages financial risks related to the operation of the consolidated Company through internal risk reports which analyze risk exposures by the degree and magnitude of risks. Such risks include market risk (including foreign exchange risk, interest rate risk, and other price risk), credit risk, and liquidity risk.

Risk exposure in relation to the consolidated Company's financial instruments and its management and measurement approaches remain unchanged.

a. Market risk

The consolidated Company's business activities exposed itself primarily to the financial risks of foreign exchange risk (refer to (1) below), interest rate risk (refer to (2) below) and other price risk (refer to (3) below):

a) Foreign exchange risk

The Company and several subsidiaries undertake product sales and purchases in foreign currencies; thus, the consolidated Company is exposed to risks of exchange rate fluctuations. Approximately 40% to 45% of the sales and 20% to 25% of the costs are denominated in currencies other than the functional currency in the consolidated Company. The consolidated Company manages its exposure to foreign exchange risk by dynamically adjusting the overall position of assets and liabilities denominated in currencies other than the functional currency in calculating its foreign exchange risk.

For the carrying amount of the consolidated Company's monetary assets and liabilities denominated in currencies other than the functional currency on the balance sheet date, please refer to Note 34.

Sensitivity analysis

The consolidated Company is mainly exposed to U.S. dollar fluctuations.

The following table details the consolidated Company's sensitivity to a 1% increase and decrease in NTD (the functional currency) against the U.S. dollar. The 1% sensitivity rate is used for Group's internal reporting of foreign exchange risk to key management and it also represents management's assessment of the reasonably possible changes in exchange rates. The sensitivity analysis included only outstanding monetary items denominated in foreign currencies, and the translation of these items at the end of the year was adjusted for a 1% change in exchange rates. A positive number below indicates an increase in net income for a 1% appreciation of New Taiwan dollars against U.S. dollars. A 1% depreciation of New Taiwan dollars against U.S. dollars will have an equal but opposite impact on net income.

Unit: In Thousands of New Taiwan Dollars

	Impact of USD	
	2023	2022
Profit or loss	\$ 10,335(i)	\$ 7,798(i)

- (i) The amount was mainly from the consolidated Company's receivables and payables denominated in USD that were outstanding as of the balance sheet date and were not covered by cash flow hedges.

The increase in the sensitivity to exchange rate of the consolidated Company in the year was mainly due to an increase in sales denominated in USD which resulted in an increased balance of accounts receivables denominated in USD.

b) Interest rate risk

The consolidated Company was exposed to interest rate risk because entities within the consolidated Company borrowed funds at both fixed and floating interest rates. The consolidated Company does not engage in interest rate hedging instruments at present. The management constantly monitors interest rate exposure and will adopt necessary measures to manage the risk arising from significant changes in market interest rates shall the need arises.

The carrying amounts of the consolidated Company's financial assets and financial liabilities exposed to interest rate risk on the balance sheet date are as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Fair value interest rate risk		
Financial assets	\$ 655,834	\$ 789,438
Financial liabilities	158,789	184,794
Cash flow interest rate risk		
Financial assets	966,406	601,266
Financial liabilities	3,548,711	3,229,082

The consolidated Company is exposed to cash flow interest rate risk for bank borrowings at floating interest rate. The situation is in compliance with the consolidated Company's policy to keep its borrowings at floating interest

rates in order to minimize the fair value interest rate risk. The consolidated Company's cash flow interest rate risk is mainly caused by the fluctuation of benchmark interest rate in relation to the borrowings denominated in foreign currencies.

Sensitivity analysis

The sensitivity analysis below is prepared based on the risk exposure of non-derivative instruments to the interest rates on the balance sheet date. For liabilities at floating interest rates, the analysis assumes they are outstanding throughout the reporting period if they are outstanding on the balance sheet date. The 1% change in interest rate is used for internal reporting on interest rate to key management and it also represents management's assessment of the reasonably possible changes in interest rates.

If the interest rate increased/decreased by 1%, the consolidated Company's net income would increase/decrease by NT\$20,658 thousand and NT\$21,023 thousand for the years of 2023 and 2022, respectively. This was mainly due to the consolidated Company's interest rate exposure from borrowings at floating interest rates.

The increase in the sensitivity to interest rate of the consolidated Company in the current year was mainly due to an increase in borrowings at floating interest rates.

c) Other price risk

The consolidated Company is exposed to equity price risk due to its investments in equity securities. Equity price risk mostly comes from investments in financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive profit and loss (mainly investments in fund beneficial certificates and listed stocks in Taiwan.) The consolidated Company's management maintains a portfolio of investments with different risks for risk management purpose. Also, investments in equity instruments are all subject to the approval of the management.

Sensitivity analysis

The sensitivity analysis below is carried out based on the exposure to equity price risk on the balance sheet date.

For the years of 2023 and 2022, if the equity price increased/decreased by 1%, the profit or loss after tax would increase/decrease by NT\$240 thousand and NT\$287 thousand, respectively, due to the increase/decrease in fair value of financial assets at fair value through profit or loss and the other comprehensive profit and loss after tax would increase/decrease by NT\$71,961 thousand and NT\$65,325 thousand, respectively, due to the increase/decrease in the fair value of financial assets at fair value through other comprehensive profit and loss.

b. Credit risk

Credit risk refers to the risk that counterparties will default on its contractual obligations, resulting in a financial loss to the consolidated Company. As of the balance sheet date, the consolidated Company's maximum exposure to credit risk due to financial losses from counterparty's unfulfillment of obligations and financial guarantees provided by the consolidated Company (i.e., the maximum irrevocable exposure excluding collaterals or other credit enhancement tools) was the carrying amounts of financial assets recognized in the consolidated balance sheets.

As the consolidated Company has a broad customer base and customer are unrelated to each other, the concentration of credit risk is low.

c. Liquidity risk

The consolidated Company maintains a level of cash and cash equivalents deemed adequate to finance the consolidated Company's operations and mitigate the effects of cash flow fluctuations. The consolidated Company's management supervises the use of credit lines and ensures the compliance with the terms of the loan contracts.

Bank borrowings are a major source of liquidity for the consolidated Company. Please refer to (2) Line of credit below for unused credit facilities of the consolidated Company.

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

The maturity profile of the consolidated Company's non-derivative financial liabilities is prepared based on the earliest repayment dates and contractual undiscounted cash flows. Thus, the consolidated Company's bank borrowings subject to repayments on demand are included in the earliest time intervals regardless of the probability of the banks choosing to exercise their rights immediately. The maturity analysis of other non-derivative financial liabilities is based on the agreed repayment dates.

December 31, 2023

	Effective Interest Rate (%)	Less than 1 month	1 - 3 months	3 months - 1 year	1 - 5 years	More than 5 years
<u>Current liabilities</u>						
Lease liabilities	0.9~2.3205	\$ 4,417	\$ 8,834	\$ 36,889	\$ 111,817	\$ -
Short-term borrowings	1.7~2.1473	880,000	2,166,000	-	-	-
Long-term borrowings	2.2437~2.3718	-	-	-	80,945	321,835
Short-term bills payable	1.45	99,931	-	-	-	-
		<u>\$ 984,348</u>	<u>\$ 2,174,834</u>	<u>\$ 36,889</u>	<u>\$ 192,762</u>	<u>\$ 321,835</u>

Further information on the maturity analysis of lease liabilities is listed as follows:

	Less than 1 year	1 - 5 years	5 - 10 years	10 - 15 years	15 - 20 years	20 years and above
Lease liabilities	<u>\$ 50,140</u>	<u>\$111,817</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

December 31, 2022

	Effective Interest Rate (%)	Less than 1 month	1 - 3 months	3 months - 1 year	1 - 5 years	More than 5 years
<u>Current liabilities</u>						
Lease liabilities	0.9~1.6914	\$ 4,193	\$ 8,112	\$ 35,271	\$ 141,460	\$ -
Short-term borrowings	1.55~2.0151	670,000	2,400,000	-	-	-
Long-term borrowings	2.0519~2.229	-	-	-	23,472	134,611
		<u>\$ 674,193</u>	<u>\$ 2,408,112</u>	<u>\$ 35,271</u>	<u>\$ 164,932</u>	<u>\$ 134,611</u>

Further information on the maturity analysis of lease liabilities is listed as follows:

	Less than 1 year	1 - 5 years	5 - 10 years	10 - 15 years	15 - 20 years	20 years and above
Lease liabilities	<u>\$ 47,576</u>	<u>\$141,460</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The above amounts of non-derivative financial liabilities with floating interest rates are subject to changes due to differences between the floating interest rates and the interest rates estimated as of the balance sheet date.

b) Line of credit

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Credit facilities		
— Amount used	\$ 3,448,780	\$ 3,229,082
— Unused amount	<u>8,631,220</u>	<u>8,250,918</u>
	<u>\$ 12,080,000</u>	<u>\$ 11,480,000</u>

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	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Credit from commercial papers		
— Amount used	\$ 100,000	\$ -
— Unused amount	<u>1,250,000</u>	<u>1,350,000</u>
	<u>\$ 1,350,000</u>	<u>\$ 1,350,000</u>

31. Related Party Transactions

All transactions between the Company and its subsidiaries (i.e., related parties of the Company), account balances, income, and expenses are eliminated upon consolidation and therefore are not shown in the note. Besides disclosures in other notes, the consolidated Company engaged in the following transactions with other related parties:

1) Names and relations of related parties

<u>Name of related party</u>	<u>Relationship with the consolidated Company</u>
Shang De Motor Co., Ltd.	Associate
Lian Quan Investment Co., Ltd.	Associate
WPI-HIGH STREET,LLC	Associate
Chyang Sheng Dyeing & Finishing Co., Ltd.	Associates (de facto related party prior to August 2023)
Shin Kong Life Insurance Co., Ltd.	De facto related party
Taishin International Bank Co., Ltd.	De facto related party
Shin Kong Wu Huo-Shih Memorial Hospital under Shin Kong Medical Foundation	De facto related party
Shin Kong Investment Trust Co., Ltd.	De facto related party
Shin Kong Commercial Bank Co., Ltd.	De facto related party
The Great Taipei Gas Corporation	De facto related party
UBright Optronics Corp.	De facto related party
Taishin D.A. Finance Co., Ltd.	De facto related party
Taiwan Security Co., Ltd.	De facto related party
Taiwan Shin Kong Security Co., Ltd.	De facto related party
Waibel Enterprise Inc.	De facto related party
Shinkong Mitsukoshi Department Store Co., Ltd.	De facto related party
Shinkong Synthetic Fibers Corporation	De facto related party
Shinkong Insurance Co., Ltd.	De facto related party
Shinkong Materials Technology Co., Ltd.	De facto related party
Shin-Kong Life Real Estate Service Co., Ltd.	De facto related party
Cheng Cheng Co., Ltd.	De facto related party
Cheng Qian Co., Ltd.	De facto related party
ShinKong Co., Ltd.	De facto related party
Yi Kong Security Co., Ltd.	De facto related party

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Name of related party	Relationship with the consolidated Company
Yi Guang International Apartments Maintenance and Management Co., Ltd.	De facto related party
Shin Kong Recreation Co., Ltd.	De facto related party
Pan Asian Plastics Corp.	De facto related party
Taipei Star Bank Co., Ltd.	De facto related party
Chichen Co., Ltd.	De facto related party
Taishin Financial Holding Co., Ltd.	De facto related party
Shin Kong Education Foundation	De facto related party
Si Si Co., Ltd.	De facto related party
Shin-Kong Communication Co., Ltd.	De facto related party
Taishin Securities Co., Ltd.	De facto related party

2) Operating transactions

Financial Statement			
Account	Type/Name of Related Party	2023	2022
Sales revenue	Shinkong Mitsukoshi Department Store Co., Ltd.	\$ 303,951	\$ 256,533
	Shinkong Insurance Co., Ltd.	7,301	15,258
	De facto related party	<u>14,825</u>	<u>17,977</u>
		<u>\$ 326,077</u>	<u>\$ 289,768</u>
Rental revenue	Yi Guang International Apartments Maintenance and Management Co., Ltd.	\$ 33,814	\$ 41,106
	Shin Kong Wu Huo-Shih Memorial Hospital under Shin Kong Medical Foundation	39,094	39,094
	Taishin International Bank Co., Ltd.	27,111	26,892
	UBright Optronics Corp.	22,195	21,425
	De facto related party	<u>10,709</u>	<u>10,606</u>
		<u>\$ 132,923</u>	<u>\$ 139,123</u>

The Company's transaction terms for sales to related parties above are not significantly different from those of the unrelated parties.

Rents were negotiated between the consolidated Company and each of the above related party, and collected by the parties on monthly bills.

3) Purchases

Financial Statement Account	Type/Name of Related Party	2023	2022
Purchases	Chyang Sheng Dyeing & Finishing Co., Ltd.	\$ 112,628	\$ 156,826
	Shinkong Synthetic Fibers Corporation	<u>41,827</u>	<u>37,084</u>
		<u>\$ 154,455</u>	<u>\$ 193,910</u>

The Company's transaction terms for purchases from related parties above are not significantly different from those of the unrelated parties.

4) Contract liabilities

Type of Related Party	December 31, 2023	December 31, 2022
De facto related party	<u>\$ 5,833</u>	<u>\$ 6,061</u>

The contract liabilities above include advance receipts for sales of goods and leasing of investment properties.

5) Receivables from related parties (excluding loans and contract assets to related parties)

Financial Statement Account	Type of Related Party	December 31, 2023	December 31, 2022
Notes receivable	De facto related party	<u>\$ 7</u>	<u>\$ 8</u>
Accounts receivable	Shinkong Mitsukoshi Department Store Co., Ltd.	\$ 60,837	\$ 44,831
	De facto related party	<u>6,237</u>	<u>1,854</u>
		<u>\$ 67,074</u>	<u>\$ 46,685</u>

No guarantee is required for the outstanding amount of receivables from related parties. No loss allowances were set aside for receivables from related parties for the years of 2023 and 2022.

6) Payables to related parties (excluding borrowings from related parties)

Financial Statement Account	Type of Related Party	December 31, 2023	December 31, 2022
Notes payable	Chyang Sheng Dyeing & Finishing Co., Ltd.	\$ 38,884	\$ 36,204
	De facto related party	<u>656</u>	<u>437</u>
		<u>\$ 39,540</u>	<u>\$ 36,641</u>
Accounts payable	Chyang Sheng Dyeing & Finishing Co., Ltd.	\$ 2,366	\$ 5,857
	De facto related party	<u>7,973</u>	<u>755</u>
		<u>\$ 10,339</u>	<u>\$ 6,612</u>
Other payables	De facto related party	<u>\$ 2,302</u>	<u>\$ 1,822</u>

No collateral is provided for the outstanding amount of payables to related parties.

7) Prepayments

Type of Related Party	December 31, 2023	December 31, 2022
Shinkong Insurance Co., Ltd.	\$ 393	\$ 220
De facto related party	<u>-</u>	<u>88</u>
	<u>\$ 393</u>	<u>\$ 308</u>

8) Lease in agreements

Financial Statement Account	Type of Related Party	December 31, 2023	December 31, 2022
Lease liabilities	Chyang Sheng Dyeing & Finishing Co., Ltd.	<u>\$ 43,842</u>	<u>\$ 56,157</u>

Type/Name of Related Party	2023	2022
<u>Interest Expenses</u>		
Chyang Sheng Dyeing & Finishing Co., Ltd.	\$ 520	\$ 373
Shin Kong Life Insurance Co., Ltd.	<u>-</u>	<u>10</u>
	<u>\$ 520</u>	<u>\$ 383</u>

Rents were negotiated between the consolidated Company and each of the above related party, and fixed rental payments were made monthly according to the lease agreements.

9) Lease out agreements

Operating lease

The total amount of future lease payments to be collected is as follows:

Type/Name of Related Party	December 31, 2023	December 31, 2022
Shin Kong Wu Huo-Shih Memorial Hospital under Shin Kong Medical Foundation	\$ 74,929	\$ 35,836
UBright Optronics Corp.	73,953	59,236
Taishin International Bank Co., Ltd.	56,436	83,548
De facto related party	<u>20,954</u>	<u>31,615</u>
	<u>\$226,272</u>	<u>\$210,235</u>

Please refer to Note 31(2) Operating Revenue for information on rental revenue.

10) Disposal of investment properties

Type/Name of Related Party	Disposal proceeds		Gains (Losses) on disposal	
	2023	2022	2023	2022
Shin Kong Wu Huo-Shih Memorial Hospital under Shin Kong Medical Foundation	\$ -	\$ 1,630,766	\$ -	\$ 1,511,741

11) Acquisition of other assets

Type/Name of Related Party	Financial Statement Account	Proceeds acquired	
		2023	2022
Chyang Sheng Dyeing & Finishing Co., Ltd.	Right-of-use assets	-	-
	buildings	\$ -	\$ 63,281

12) Disposal of other assets

Type/Name of Related Party	Financial Statement Account	Disposal proceeds		Gains (Losses) on disposal	
		2023	2022	2023	2022
Shin Kong Life Insurance Co., Ltd.	Right-of-use assets - buildings	\$ <u>-</u>	\$ <u>12,975</u>	\$ <u>-</u>	\$ <u>342</u>

13) Acquisition of financial assets

Unit: In Thousands of Shares

2023

Name of Related Party	Financial Statement Account	No. of Transaction Unit	Object of transaction	Proceeds acquired
Chyang Sheng Dyeing & Finishing Co., Ltd.	Financial assets at fair value through other comprehensive profit and loss - current	552	Chyang Sheng Dyeing & Finishing Co., Ltd. - common stocks	\$ <u>8,411</u>

2022

Name of Related Party	Financial Statement Account	No. of Transaction Unit	Object of transaction	Proceeds acquired
Chyang Sheng Dyeing & Finishing Co., Ltd.	Financial assets at fair value through other comprehensive profit and loss - current	2,308	Chyang Sheng Dyeing & Finishing Co., Ltd. - common stocks	\$ 32,159
Shin Kong Investment Trust Co., Ltd.	Financial assets at fair value through profit or loss - current	1,000	Shin Kong Taiwan High Dividend Fund	<u>10,000</u>
				\$ <u>42,159</u>

14) Disposal of financial assets

Unit: In Thousands of Shares

2023

Name of Related Party	Financial Statement Account	No. of stock exchange	Object of transaction	Disposal proceeds	Gains and Losses on disposal
Shin Kong Investment Trust Co., Ltd.	Financial assets at fair value through profit or loss - current	1,000	Shin Kong Taiwan High Dividend Fund	\$ <u>10,350</u>	\$ <u>350</u>

15) Endorsements and guarantees

Endorsements and guarantees provided to others

<u>Type/Name of Related Party</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Shang De Motor Co., Ltd.		
Guarantee Amount	<u>\$ 72,360</u>	<u>\$ 72,360</u>
Amount Actually Drawn	<u>\$ 72,360</u>	<u>\$ 72,360</u>

16) Other

<u>Financial Statement Account</u>	<u>Type of Related Party</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Cash and cash equivalent	Shin Kong Commercial Bank Co., Ltd.	\$ 653,695	\$ 254,379
	Taishin International Bank Co., Ltd.	104,816	87,778
	De facto related party	<u>78</u>	<u>78</u>
		<u>\$ 758,589</u>	<u>\$ 342,235</u>
Refundable deposits	Chyang Sheng Dyeing & Finishing Co., Ltd.	\$ 3,874	\$ 3,409
	Shin Kong Wu Huo-Shih Memorial Hospital under Shin Kong Medical Foundation	20	3,842
	De facto related party	<u>-</u>	<u>20</u>
		<u>\$ 3,894</u>	<u>\$ 7,271</u>
Guarantee deposits received	Shin Kong Wu Huo-Shih Memorial Hospital under Shin Kong Medical Foundation	\$ 16,289	\$ 16,289
	Related party in substance	<u>12,569</u>	<u>12,593</u>
		<u>\$ 28,858</u>	<u>\$ 28,882</u>
Financial assets at amortized cost	Shin Kong Commercial Bank Co., Ltd.	<u>\$ 700</u>	<u>\$ 501,800</u>

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Financial Statement Account	Type of Related Party	December 31, 2023	December 31, 2022
Operating expenses	De facto related party	<u>\$ 23,574</u>	<u>\$ 21,903</u>
Non-operating income	Chyang Sheng Dyeing & Finishing Co., Ltd.	\$ 477	\$ 268
	Shang De Motor Co., Ltd.	603	358
	De facto related party	<u>9,232</u>	<u>2,055</u>
		<u>\$ 10,312</u>	<u>\$ 2,681</u>
Non-operating expenses	De facto related party	<u>\$ 19</u>	<u>\$ 10</u>

The consolidated Company provided shares as collateral to secure financing facilities from related parties. Details are as follows:

Name of Related Party	Details	December 31, 2023	December 31, 2022
Shin Kong Commercial Bank Co., Ltd.	Shares of Shinkong Insurance Co., Ltd.	10,000 thousand shares	10,000 thousand shares
Taishin International Bank Co., Ltd.	Shares of Shinkong Insurance Co., Ltd.	10,000 thousand shares	10,000 thousand shares

17) Remuneration to key management personnel

	2023	2022
Short-term employee benefits	\$ 27,590	\$ 27,685
Post-employment benefits	<u>641</u>	<u>667</u>
	<u>\$ 28,231</u>	<u>\$ 28,352</u>

Remuneration to director and key management personnel is determined by the Remuneration Committee based on personal performances and market trends.

32. Pledged Assets

The following assets have been provided as collateral for borrowings:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Financial assets at fair value through other comprehensive profit and loss - non-current	\$ 2,517,520	\$ 2,051,880
Investment properties	2,838,570	2,857,111
Pledged time deposits (recognized as financial assets at amortized cost)	<u>12,700</u>	<u>1,800</u>
	<u>\$ 5,368,790</u>	<u>\$ 4,910,791</u>

33. Significant Contingent Liabilities and Unrecognized Contract Commitments

Besides disclosures in other notes, the consolidated Company's significant commitments and contingencies on the balance sheet dates were as follows:

Significant commitments

- 1) As of December 31, 2023 and 2022, the guaranteed notes submitted by the Company for import credits and other businesses amounted to NT\$5,682 thousand and NT\$28,851 thousand, respectively.
- 2) Due to the construction of plant office buildings, the consolidated Company signed the following agreements:
 - a. The contract for work of building project in Shilin Dist., Taipei City was NT\$1,038,033 thousand. As of December 31, 2023, NT\$330,449 thousand of the construction cost has been paid.
 - b. The contract for work of building project in Shilin Dist., Taipei City was NT\$3,177,024 thousand. As of December 31, 2023, NT\$105,977 thousand of the land cost for the use of transferable development right has been paid.
- 3) The consolidated Company intends to acquire CWRE Special Situations Fund and will make installment payments totaling no more than US\$10,000 thousand starting in 2024.

34. Information on Foreign Currency-denominated Assets and Liabilities of Significant Influence

The following information is aggregated by foreign currencies other than functional currency of entities within the consolidated Company and the exchange rates used to translate foreign currencies into the functional currency are disclosed. Foreign currency-denominated assets and liabilities of significant influence are as follows:

December 31, 2023

	<u>Foreign Currency</u>	<u>Exchange Rate</u>	<u>Carrying amount</u>
Assets denominated in foreign currency			
<u>Monetary items</u>			
USD	\$ 42,191	30.705	\$1,295,461
Euro	317	33.98	10,763
GBP	94	39.15	3,698
Liabilities denominated in foreign currency			
<u>Monetary items</u>			
USD	118	30.705	3,628
Euro	22	33.98	762
GBP	3	39.15	117

December 31, 2022

	<u>Foreign Currency</u>	<u>Exchange Rate</u>	<u>Carrying amount</u>
Assets denominated in foreign currency			
<u>Monetary items</u>			
USD	\$ 31,843	30.71	\$ 977,898
Euro	363	32.72	11,869
GBP	76	37.09	2,825
Liabilities denominated in foreign currency			
<u>Monetary items</u>			
USD	101	30.71	3,089
Euro	10	32.72	339

The consolidated Company's (realized and unrealized) foreign exchange gains and losses for the years of 2023 and 2022 amounted to a profit of NT\$13,286 thousand and a loss of NT\$66,274 thousand, respectively. Since the consolidated Company transacted in a number of foreign currencies, foreign exchange gain (loss) cannot be disclosed by foreign currencies with significant impact.

35. Additional Disclosures in Notes to the Financial Report

- 1) Related Information on Significant Transactions:
 - a. Financing provided to others. (Table 1)
 - b. Endorsements and guarantees provided to others. (Table 2)
 - c. Marketable securities held at the end of this period (excluding investments in subsidiaries, associates and controlled joint ventures). (Table 3)
 - d. Individual securities acquired or disposed of with accumulated amount of at least NT\$300 million or 20% of the paid-in capital. (None)
 - e. Acquisition of individual real estate with amount of at least NT\$300 million or 20% of the paid-in capital. (Table 4)
 - f. Disposal of individual real estate with amount of at least NT\$300 million or 20% of the paid-in capital. (None)
 - g. Related party transactions with purchase or sales amount of at least NT\$100 million or 20% of the paid-in capital. (Table 5)
 - h. Accounts receivables from related parties of at least NT\$100 million or 20% of the paid-in capital. (None)
 - i. Derivative financial instrument transactions. (None)
 - j. Others: Intercompany relationships and significant intercompany transactions. (None)
- 2) Related Information on Investees (Table 6)
- 3) Information on Investments in Mainland China:
 - a. For investees in mainland China, please show the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in mainland China. (Table 7)
 - b. Any of the following significant transactions with investees in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses: (None)
 - a) Purchase amount and percentage, and the closing balance and percentage of the related payables.
 - b) Sales amount and percentage, and the closing balance and percentage of the related receivables.
 - c) Property transaction amount and the resulting gain or loss.

- d) Ending balances and purposes of endorsements/guarantees or collateral provided.
 - e) The maximum balance, ending balance, interest rate range and total amount of interest of financing for the current year.
 - f) Other transactions having a significant influence on profit or loss or financial status of the current year, such as providing or receiving services.
- 4) Information on major shareholders: Name, number of shares held, and shareholding percentage of shareholders with shareholding percentage exceeding 5%. (Table 8)

36. Segment Information

The information provided to the Group's chief operating decision-maker for resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided. The consolidated Company's reportable segments are as follows:

Marketing Department (domestic and overseas sale of finished fabrics, market extension and export-related businesses)

Retail Department (domestic directly operated stores and channels expansion as well as counter sales and management)

Real Estate Department (land development and real estate leasing)

(1) Department revenue and operation performance

The revenue and operation performance of continuing operations by reportable segments are analyzed as follows:

	2023			
	Sales Department	Retail Department	Real Estate Department	Total
Revenue from external customers	\$ 2,229,183	\$ 779,941	\$ 373,821	\$ 3,382,945
Intersegment revenue	(959)	577	7,440	7,058
Segment revenue	<u>\$ 2,228,224</u>	<u>\$ 780,518</u>	<u>\$ 381,261</u>	3,390,003
Internal elimination				(7,058)
Consolidated revenue				<u>\$ 3,382,945</u>
Segment profit or loss	<u>\$ 233,237</u>	<u>\$ 29,901</u>	<u>\$ 238,400</u>	\$ 501,538
Indirect expenses				(141,794)
Interest income				23,183
Other income				370,408
Other gains and losses				(5,238)

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	2023			
	Sales Department	Retail Department	Real Estate Department	Total
Finance costs				(53,452)
Share of profit (loss) of associates and joint ventures accounted for using the equity method				<u>78,322</u>
Net income before tax				<u>\$ 772,967</u>

	2022			
	Marketing Department	Retail Department	Real Estate Department	Total
Revenue from external customers	\$ 2,220,377	\$ 761,835	\$ 367,077	\$ 3,349,289
Intersegment revenue	<u>3,378</u>	<u>3,987</u>	<u>7,383</u>	<u>14,748</u>
Segment revenue	<u>\$ 2,223,755</u>	<u>\$ 765,822</u>	<u>\$ 374,460</u>	3,364,037
Internal elimination				(<u>14,748</u>)
Consolidated revenue				<u>\$ 3,349,289</u>
Segment profit or loss	<u>\$ 178,388</u>	<u>\$ 50,233</u>	<u>\$ 222,590</u>	\$ 451,211
Indirect expenses				(150,956)
Interest income				6,610
Other income				365,057
Other gains and losses				1,554,277
Finance costs				(36,438)
Share of profit (loss) of associates and joint ventures accounted for using the equity method				<u>73,760</u>
Net income before tax				<u>\$ 2,263,521</u>

Segment profit or loss refers to profits of various departments, excluding non-operating income and expenses and income tax expenses. This amount of measurement is provided to the main operation decision makers, to be used for distribution of resources to the departments and assessing their performance.

(2) Information on Major Customers

In 2023 and 2022, no single customer generated more than 10% of the total revenue of the consolidated Company.

Shinkong Textile Co., Ltd. and Subsidiaries
Lending Funds to Others
2023

Table 1Unit: In Thousands of New Taiwan Dollars

No.	The Company providing funds to others	Counterparty	Item of Transaction	Whether a Related Party	Maximum Balance for the Period	Balance at the End of the Period	Amount Actually Drawn	Interest Rate	Nature of Financing Provided	Transaction Amount	Reason for Short-term Financing	Loss Allowance	Collateral		Financing Limit for Individual Borrower	Limit on Total Amount of Funds Being Lent	Note
													Name	Value			
1	Shinkong Asset Management Co., Ltd.	Xin Fu Development Co., Ltd.	Receivables from related parties	Yes	\$ 480,000	\$ 400,000	\$ -	1.3-1.725%	Necessity of short-term financing	\$ -	Operating turnover	\$ -		\$ -	\$ 1,035,314	\$ 9,202,943	Note 3
1	Shinkong Asset Management Co., Ltd.	Shinkong Textile Co., Ltd.	Receivables from related parties	Yes	300,000	-	-	1.70%	Necessity of short-term financing	-	Operating turnover	-		-	1,035,314	9,202,943	Note 3

Note 1: The numbers to be filled are described as follows:
(1) For the issuer, fill in 0.
(2) Investees are numbered sequentially starting from 1 according to the company type.

Note 2: Financing Provision of Shinkong Textile Co., Ltd.:
For financing provided to a company or firm that needs short-term financing, the total financing amount shall not exceed 40% of the Company's net worth; the total financing provided to a single party shall be limited to 10% of the Company's net worth.
Maximum amount of financing to companies or firms requiring short-term financing: 13,147,061 x 40% = 5,258,824
Maximum amount permitted to a single borrower: 13,147,061 x 10% = 1,314,706

Note 3: Financing provided to Shinkong Asset Management Co., Ltd.:
For financing provided to a company or firm that needs short-term financing, the total financing amount shall not exceed 70% of the parent company's net worth and each financing provided to a single party shall not exceed 20% of the parent company's net worth while the total financing provided to a single party shall be limited to 40% of the lender's net worth.
Maximum amount of financing to companies or firms requiring short-term financing: 13,147,061x70%=9,202,943
Maximum amount permitted to a single borrower: 13,147,061x20% = 2,629,412 ; 2,588,286 x 40%=1,035,314

Shinkong Textile Co., Ltd. and Subsidiaries
Endorsements and Guarantees Provided to Others
2023

Table 2

Unit: In Thousands of New Taiwan Dollars

No.	Name of Endorsements and Guarantees Company	Endorsee and Guarantee		Limits on Endorsement and Guarantee Amount Provided to A Single Entity (Note 3)	Maximum Endorsement and Guarantee Balance for the Period	Balance of endorsements and guarantees at the end of the period	Amount Actually Drawn	Amount of Endorsement and Guarantee Collateralized by Property	Ratio of Accumulated Endorsement and Guarantee to Net Equity per Latest Financial Statements (%)	Maximum amount for endorsements and guarantees (Note 3)	Endorsement and Guarantee Provided by Parent for Subsidiary	Endorsement and Guarantee Provided by Subsidiary for Parent	Endorsement and Guarantee Provided for Entities in Mainland China	Note
		Name of Company	Relationship											
0	Shinkong Textile Co., Ltd.	Shang De Motor Co., Ltd.	6	\$ 2,629,412	\$ 72,360	\$ 72,360	\$ 72,360	\$ -	0.6%	\$ 6,573,531	N	N	N	Note 3
1	Shinkong Asset Management Co., Ltd.	Shinkong Textile Co., Ltd.	3	13,147,061	1,800,000	1,800,000	1,800,000	1,800,000	13.7%	13,147,061	N	Y	N	Note 3
2	Hua Yang Motor Co., Ltd.	Shinkong Textile Co., Ltd.	3	13,147,061	810,000	810,000	810,000	810,000	6.2%	13,147,061	N	Y	N	Note 3
2	Hua Yang Motor Co., Ltd.	Shinkong Asset Management Co., Ltd.	3	13,147,061	810,000	810,000	810,000	810,000	6.2%	13,147,061	N	Y	N	Note 3

Note 1: The numbers to be filled are described as follows:

- (1) For the issuer, fill in 0.
- (2) Investees are numbered sequentially starting from 1 according to the company type.

Note 2: The relationships between endorsers and guarantors and endorsees and guarantees are categorized into the following seven types. Please specify the type.

- (1) Companies with which the Company conducts business.
- (2) A company in which the Company directly and indirectly holds more than 50% of the voting shares.
- (3) A company that directly and indirectly holds more than 50% of the Company's voting shares.
- (4) Between companies in which the Company directly and indirectly holds more than 90% of the voting shares.
- (5) A mutual insurance company in accordance with the contract requirements of the trade or joint contractors based on the needs of the contract works.
- (6) Shareholders making endorsements and guarantees for their mutually invested company in proportion to their shareholding ratio.
- (7) Joint and several securities between companies in the same industry for performance guarantees of pre-construction homes under the Consumer Protection Act.

Note 3: The limit calculated based on the Company's Procedures for Endorsement and Guarantee is as follows:

- (1) The Company and subsidiaries' aggregate amount of endorsement and guarantee for external entities shall not exceed 50% of the Company's net worth. The maximum endorsement and guarantee for a single entity shall not exceed 20% of the Company's net worth.
- (2) According to the rules above, the maximum amount of aggregate endorsement and guarantee provided by the Company and subsidiaries was the net worth of $13,147,061 \times 50\% = 6,573,531$ and the maximum endorsement and guarantee for a single entity was the net worth of $13,147,061 \times 20\% = 2,629,412$ for the year of 2023.

The limit calculated based on Shinkong Asset Management Co., Ltd.'s Procedures for Endorsement and Guarantee is as follows:

- (3) The amount of endorsement and guarantee provided by 100%-owned subsidiaries to the parent company shall be limited to the net worth of the parent company.

Note 4: Fill in Y if a listed parent company provides endorsement and guarantee for its subsidiary or if a subsidiary provides endorsement and guarantee for its listed parent company or if endorsement and guarantee involve mainland China.

Shinkong Textile Co., Ltd. and Subsidiaries
Marketable Securities Held at the End of the Period
December 31, 2023

Table 3

Unit: In Thousands of Shares / Unit: In Thousands of New Taiwan Dollars

Holding Company	Type and Name of Securities (Note 1)	Relationship with Issuer of Securities (Note 2)	Financial Statement Account	At the end of the period				Note (Note 3)
				Number of shares (in thousand shares/thousand units)	Carrying amount	Shareholding ratio (%)	Fair value	
Shinkong Textile Co., Ltd.	Beneficiary certificates							
	GSO Fund	None	Financial assets at fair value through profit or loss - current	18	\$ 59,612	-	\$ 59,612	
	COTTONWOOD Fund	None	"	9	359,707	-	359,707	
	MIH Climate Fund	None	"	-	7,914	-	7,914	
	Stocks - Listed Company							
	Far EasTone Telecommunications Co., Ltd.	None	"	49	3,910	-	3,910	
Shinkong Textile Co., Ltd.	TacBright Optronics Corporation	(5)	"	5,000	<u>20,050</u>	1.08	<u>20,050</u>	
					<u>\$ 451,193</u>		<u>\$ 451,193</u>	
	Stocks - Listed Company							
	Shinkong Synthetic Fibers Corporation	(3)	Financial assets at fair value through other comprehensive profit and loss - current	56,104	\$ 872,422	3.47	\$ 872,422	
	Taishin Financial Holding Co., Ltd.	(5)	"	7,815	141,452	0.06	141,452	
	Shin Kong Financial Holding	(5)	"	4,609	<u>40,788</u>	0.03	<u>40,788</u>	
Shinkong Textile Co., Ltd.					<u>\$ 1,054,662</u>		<u>\$ 1,054,662</u>	
	Stocks - Listed Company							
	Xintec Inc.	None	Financial assets at fair value through other comprehensive profit and loss - non-current	141	\$ 17,977	0.05	\$ 17,977	
	O-Bank Co., Ltd.	None	"	10,385	103,640	0.34	103,640	
	The Great Taipei Gas Corporation	(5)	"	10,738	351,133	2.08	351,133	
	Taishin Financial Holding Co., Ltd. - preferred stocks E	(5)	"	228	11,655	0.03	11,655	

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Holding Company	Type and Name of Securities (Note 1)	Relationship with Issuer of Securities (Note 2)	Financial Statement Account	At the end of the period				Note (Note 3)
				Number of shares (in thousand shares/thousand units)	Carrying amount	Shareholding ratio (%)	Fair value	
Shinkong Asset Management Co., Ltd.	Shinkong Insurance Co., Ltd.	(1)	"	51,540	3,509,842	16.31	3,509,842	10,000 thousands of shares were collateralized to Shin Kong Bank and Taishin International Bank separately with a market value of NT\$1,362,000 thousand
	Taishin Financial Holding Co., Ltd. - preferred stocks E (Second)	(5)	"	137	6,237	0.05	6,237	
	Unlisted companies Taian Insurance Co., Ltd.	None	Financial assets at fair value through other comprehensive profit and loss - non-current	2,049	\$ 70,923	0.69	\$ 70,923	
	Shin Kong Chao Feng Co., Ltd.	(5)	"	200	31,199	2.22	31,199	32,000 thousand shares were collateralized to ChinaTrust Commercial Bank with a market value of NT\$1,155,520 thousand
	Shinkong Mitsukoshi Department Store Co., Ltd.	(4)	"	41,275	1,490,456	3.31	1,490,456	
	Shin Kong Recreation Co., Ltd.	(2)	"	650	234,072	3.32	234,072	
	Eastern International Ad.	None	"	-	280	0.90	280	
	Li Yu Venture Capital Co., Ltd.	None	"	209	3,324	1.79	3,324	
	Taiwan Zeniya Interior Design Co., Ltd.	None	"	-	19,965	8.00	19,965	
	IRSO Precision Co., Ltd.	None	"	1,000	-	4.93	-	
	KHL IB Venture Capital	None	"	3,283	35,556	2.98	35,556	
	Mega Solar Energy Co., Ltd.	None	"	1,000	10,000	1.25	10,000	
	CYS Investment Co., Ltd.	None	"	10,000	93,485	18.18	93,485	
	Meihao Youjing Investment Co., Ltd.	None	"	10,000	100,000	15.63	100,000	
	Stocks - Listed Company							
	Taishin Financial Holding Co., Ltd.	(5)	"	999	18,086	0.01	18,086	

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Holding Company	Type and Name of Securities (Note 1)	Relationship with Issuer of Securities (Note 2)	Financial Statement Account	At the end of the period				Note (Note 3)
				Number of shares (in thousand shares/thousand units)	Carrying amount	Shareholding ratio (%)	Fair value	
	Taishin Financial Holding Co., Ltd. - preferred stocks E	(5)	"	29	1,490	-	1,490	
	Taiwan Shin Kong Security Co., Ltd.	(5)	"	777	31,368	0.20	31,368	
	Shinkong Textile Co., Ltd.	Parent company	"	804	38,503	0.27	38,503	
	Taishin Financial Holding Co., Ltd. - preferred stocks E (Second)	(5)	"	17	797	-	797	
	Less: Shares of the parent company held by subsidiary				(38,503)		(38,503)	
					<u>\$ 7,196,147</u>		<u>\$ 7,196,147</u>	

Note 1: Marketable securities in the table refer to stocks, bonds, beneficiary certificates and other related derivative securities as promulgated in IFRS 9 "Financial Instruments".

Note 2: (1) The company's representative of corporate chairman and the Company's representative of corporate chairman are relatives within the second degree of kinship.

(2) The company's representative of corporate director and the Company's representative of corporate chairman are relatives within the second degree of kinship.

(3) The company's representative of corporate director is the same person as the Company's representative of corporate chairman.

(4) The company's representative of corporate supervisor and the Company's representative of corporate chairman are relatives within the second degree of kinship.

(5) Other related parties.

Note 3: Where marketable securities held are pledged as security or pledged for borrowings or with restrictions on their uses under some agreements, the numbers of shares and amount pledged as well as restrictions shall be stated in the Note column.

Note 4: For information on investments in subsidiaries, associates, and joint ventures, please refer to Table 6.

Shinkong Textile Co., Ltd. and Subsidiaries
Acquisition of individual real estate with amount of at least NT\$300 million or 20% of the paid-in capital
January 1 to December 31, 2023

Table 4

Unit: In Thousands of New Taiwan Dollars, Unless Otherwise Specified

Company Which Acquired Real Estate	Property Name	Date of Transaction	Transaction Amount	Payment Status	Transaction Object	Relationship	Previous transfer data for transactions involving related parties must be provided.				Reference criteria for pricing	Objectives and usage for acquisition	Other matters agreed upon
							Owner	Relationship with the issuer	Date of transfer	Amount			
Shinkong Asset Management Co., Ltd.	Housing and Construction	2022/4/8	\$ 1,038,033	\$ 330,449	Feng Yu United Engineering Co., Ltd.	Non related parties	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable for self-constructed assets	Improving operational efficiency and revitalizing assets	None
Xin Fu Development Co., Ltd.	Housing and Construction	2023/6/6 (Note 1)	3,177,024	105,983	Chong Hong Construction Co., Ltd.	Non related parties	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable for self-constructed assets	Investing in the construction of a building for sale or rental purposes	None

Note 1: On June 6, 2023, Xin Fu Development Co., Ltd. passed a resolution during the Board of Directors meeting to enter into a joint development contract with Chong Hong Construction Co., Ltd. on October 12, 2023.

Shinkong Textile Co., Ltd. and Subsidiaries
Related party transactions with purchase or sales amount of at least NT\$100 million or 20% of the paid-in capital
January 1 to December 31, 2023

Table 5

Unit: In Thousands of New Taiwan Dollars

Companies with purchase (sales) of goods	Transaction object	Relationship	Transaction circumstance				Circumstances where the transaction conditions are different from general transactions and the reasons (Note 1)		Notes and accounts receivable (payable)		Note (Note 2)
			Purchase (sales) of goods	Amount	Proportion of total purchase (sales) of goods %	Credit period	Unit price	Credit period	Balance	Percentage of Total Notes and Accounts Receivable (Payable) (%)	
Shinkong Mitsukoshi Department Store Co., Ltd.	Shinkong Textile Co., Ltd.	De facto related party	Sale of goods	\$ 303,951	10.12%	No significant difference from general customers	—	—	\$ 60,837	14.04%	
Chyang Sheng Dyeing & Finishing Co., Ltd.	Shinkong Textile Co., Ltd.	De facto related party	Purchases	112,628	6.12%	No significant difference from general customers	—	—	41,250	12.11%	

Note 1: If the related party's transaction conditions are different from the general transaction conditions, the differences and reasons should be stated in the unit price and credit period fields.

Note 2: If there is the circumstance of advance receipt (payment), the terms of the contract, the amount and the difference from the general transaction type shall be stated in the Notes column.

Note 3: Paid-in capital refers to paid-in capital of the parent company. If the issuer's shares have no par value or the par value of each share is not NT\$10, then the transaction amount of 20% of the paid-in capital shall be calculated as 10% of the equity attributable to the owner of the parent company in the balance sheet.

Shinkong Textile Co., Ltd. and Subsidiaries
Names, Locations, and Other Information of Investees
January 1 to December 31, 2023

Table 6

Unit: In Thousands of Shares / New Taiwan Dollars

Investor	Name of investee company	Location	Principal Business Activities	Initial Investment Amount		Holding at the end of the period			Income (Loss) of the Investee	Investment Gain (Loss)	Note
				At the end of the current period	End of Last Year	Number of shares	Percentage (%)	Carrying amount			
Shinkong Textile Co., Ltd.	Shinkong Asset Management Co., Ltd.	15F, No. 44, Section 2, Zhongshan N Road, Zhongshan District, Taipei	Development and rental of housing, building and industrial factory, development of specific areas and investment, development and construction in public construction	\$ 664,719	\$ 664,719	98,000	100.00	\$ 2,549,782	\$ 99,796	\$ 98,590	Note 1, Subsidiary
"	Lian Quan Investment Co., Ltd.	6F, No. 44, Section 2, Zhongshan N Road, Zhongshan District, Taipei	Reinvestment in a wide range of businesses, including manufacturing, banking, insurance, recreation, securities, trading, general merchandises, cultural undertakings and the construction of commercial buildings and public housing units.	83,113	83,113	11,192	48.89	461,590	27,711	13,548	
"	SK INNOVATION CO., LTD.	Portcullis Trust Net Chambzs, P.O. Box1225, Apia, Samoa	General investment business	21,424	21,424	700	100.00	3,712	(4,241)	(4,241)	Subsidiary
"	Shang De Motor Co., Ltd.	No. 518, Zhongzheng Rd., Xinzhuang Dist., New Taipei City	Trading and maintenance of motor vehicles and trading of auto parts.	269,699	269,699	9,715	33.50	305,330	131,852	44,163	
"	WPI-High Street LLC	5190 Campus Dr., Newport Beach, CA 92660	General investment business	74,656	74,656	-	35.71	50,968	19,316	6,898	
	Chyang Sheng Dyeing & Finishing Co., Ltd.	No. 126, Dagong Road, Dayuan District, Taoyuan City	Outsourcing of Dyeing and Finishing	546,947	-	35,171	20.30	560,501	127,390	13,554	
Shinkong Asset Management Co., Ltd.	Xin Fu Development Co., Ltd.	15F, No. 44, Section 2, Zhongshan N Road, Zhongshan District, Taipei	Development and rental of housing, building and industrial factory, and development of specific areas	1,072,650	764,862	106,500	100.00	1,078,153	3,379	3,379	Second-tier subsidiary

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Investor	Name of investee company	Location	Principal Business Activities	Initial Investment Amount		Holding at the end of the period			Income (Loss) of the Investee	Investment Gain (Loss)	Note
				At the end of the current period	End of Last Year	Number of shares	Percentage (%)	Carrying amount			
Hua Yang Motor Co., Ltd.	Hua Yang Motor Co., Ltd.	15F, No. 44, Section 2, Zhongshan N Road, Zhongshan District, Taipei	Wholesale of motor vehicles, retail sale of auto and motorcycle parts and accessories, automobile repair, other automobile services, leasing, and manufacturing of motor vehicles/motorcycles and their parts	349,065	349,065	33,700	100.00	390,431	47,181	47,181	Second-tier subsidiary
	Chyang Sheng Dyeing & Finishing Co., Ltd.	No. 126, Dagong Road, Dayuan District, Taoyuan City	Outsourcing of Dyeing and Finishing	6,426	-	413	0.24	6,585	127,390	159	
	One Full Co., Ltd.	15F, No. 44, Section 2, Zhongshan N Road, Zhongshan District, Taipei	Retail sale of cloths, retail sale, retail sale without storefront, other integrated retail sale, and international trade.	44,000	76,000	4,400	100.00	32,843	(10,584)	(10,584)	Second-tier subsidiary

Note 1: The carrying amount has deducted the NT\$13,174 thousand reclassified as treasury shares.

Note 2: Please refer to Table 7 for information on investments in mainland China.

Shinkong Textile Co., Ltd. and Subsidiaries
Information on Investments in Mainland China
January 1 to December 31, 2023

Table 7

Unit: In Thousands of New Taiwan Dollars; Foreign Currencies

Name of mainland investee company	Principal Business Activities	Paid-in Capital	Method of Investments	Accumulated outward remittance for investment from Taiwan at the beginning of the current period	Amount of investment remitted or recovered during the Current period		Accumulated outward remittance for investment from Taiwan at the end of the current period	Net income (loss) of the investee in the current period	Percentage of shareholding of direct or indirect investment (%)	Investment gain (loss) recognized in the current period (Note 2)	Investment carrying value at the end of the current period	Accumulated repatriation of investment income as of the current period	Note
					Outflow	Inflow							
Shanghai Xin Ying Trading Co., Ltd.	Garments, leather suitcases, daily commodities, craft gifts (except for cultural relics) and packaging materials.	\$ 21,362	Note 1 (2)	\$ 21,362	\$ -	\$ -	\$ 21,362	(\$ 4,241)	100	(\$ 4,241) (2)－C	\$ 3,708	\$ -	-

Note 1: Methods of investments are divided into the following three types. Please specify the type.

- (1) Direct investment in mainland China.
- (2) Reinvesting in companies in mainland China through SK INNOVATION CO., LTD., which is in a third location.
- (3) Other methods.

Note 2: For the Investment Gain (Loss) column:

- (1) Indicate if no investment gain (loss) is recognized as an investee is under preparation.
- (2) Indicate if investment gain (loss) is recognized on one of the following bases:
 - A. Financial statements audited by international accounting firms cooperating with accounting firms in the Republic of China.
 - B. Financial statements audited by the parent company's CPAs in Taiwan.
 - C. Others (financial statements for the same periods prepared by the aforementioned investees).

Accumulated outward remittance for investment in mainland China at the end of the current period	Investment amounts authorized by Investment Commission	Upper limit on the amount of investment stipulated by Investment Commission
\$ 21,362	\$ 1,000 USD 30,705TWD	\$ 7,888,237

Shinkong Textile Co., Ltd.
Information on Major Shareholders
December 31, 2023

Table 8

Name of Major Shareholders	Shareholding	
	No. of shareholding	Shareholding ratio
Shinkong Synthetic Fibers Corporation	28,378,958	9.45%
Shin Kong Medical Foundation	20,979,735	6.99%
Chichen Co., Ltd.	19,650,000	6.54%

Note 1: The substantial shareholders in this table are shareholders holding more than 5% of the ordinary and preference shares that have completed delivery of non-physical registration (including treasury shares) on the last business day of the current quarter calculated by the Taiwan Depository & Clearing Corporation. Share capital indicated in the Company's consolidated financial statements may differ from the actual number of shares that have been issued and delivered without physical registration as a result of different basis of preparation.

Independent Auditors' Report

To Shinkong Textile Co., Ltd For general information:

Audit opinion

We have audited the parent company only balance sheets of Sinkong Textile Co., Ltd.(hereinafter referred to as the "Company") as of December 31, 2023 and 2022; and the related parent company only statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to parent company only financial statements (including a summary on significant accounting policies).

In our opinion, the aforementioned parent company only financial statements present fairly, in all material respects, the parent company only financial status of the Company as of December 31, 2023 and 2022, and its parent company only financial performance and cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

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

Key Audit Matters

Key audit matters are ones that were of most significance in our audit of the parent company only financial statements of the Company for the year ended December 31, 2023 based on our professional judgment. These matters have been covered during the audit of the overall parent

company only financial statements and in forming the audit opinion. We will not express a separate opinion on these matters.

Key audit matters of the parent company only financial statements of Sinkong Textile Co., Ltd. for the year ended December 31, 2023 are as follows:

Authenticity of sales revenue from specific customers

The Company's principal source of income is the sale of various types of fabrics and finished clothing, apparel agency and property leasing. Significant risk is presumed in revenue recognition in view of significance and auditing standards. In our opinion, the authenticity on revenue from customers with specific trading terms has significant impact on the financial statements. Thus, we identified the authenticity of sales revenue from specific customers as a key audit matter. For the accounting policies related to revenue recognition, please refer to Note IV (XIII) of the notes to parent company only financial statements.

Our corresponding audit procedures were as follows:

1. We understood and tested the design and implementation of internal controls in relation to the recognition of sales revenue from specific customers.
2. From the sales details of specific customers above, we selected proper samples to inspect the relevant supporting documents and tested the collection conditions to confirm the authenticity of sales transactions.

Responsibilities of Management and Those Charged with Governance for the Parent Company Only Financial Statements

The responsibilities of management are to prepare the parent company only financial statements with fair presentation in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and maintain necessary internal controls associated with the preparation in order to ensure the parent company only financial statements are free from material misstatement, whether due to fraud or error.

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

Those charged with governance, including the audit committee, are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Parent Company Only Financial Statements

Our objectives are to obtain reasonable assurance about whether the parent company only financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an independent auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error. Amounts of misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users of the parent company only financial statements.

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

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

5. Evaluate the overall presentation, structure and content of the parent company only financial statements, including the disclosures, and whether the parent company only financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities within the Company to express an opinion on the parent company only financial statements. We are responsible for the direction, supervision, and performance of the audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine the key audit matters of the Company's parent company only financial statements for the year ended December 31, 2023. We describe these matters in our independent auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter shall not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Deloitte & Touché
CPALi-Huang Li

CPAJui-Chuan Chih

Securities and Futures Commission
Approval No.
Tai-Cai-Zheng-6-0930128050

Financial Supervisory Commission Approval
No.
Jin-Guan-Zheng-Shen-1060023872

March 8, 2024

Shinkong Textile Co., Ltd.
Parent Company Only Balance Sheets
December 31, 2023 and 2022

Unit: In Thousands of New Taiwan Dollars

Code	Assets	December 31, 2023		December 31, 2022	
		Amount	%	Amount	%
	Current assets				
1100	Cash and cash equivalents (Notes 6, 29 and 30)	\$ 951,439	6	\$ 663,597	4
1110	Financial assets at fair value through profit or loss - current (Notes 7, 29 and 30)	451,193	3	559,120	4
1120	Financial assets at fair value through other comprehensive income - current (Notes 8, 29 and 30)	1,054,662	6	1,619,189	10
1150	Notes receivable (Notes 10, 23 and 29)	11,024	-	9,907	-
1160	Notes receivable - related parties, net (Notes 10, 29 and 30)	7	-	8	-
1170	Accounts receivable (Notes 10, 23 and 29)	359,151	2	290,228	2
1180	Accounts receivable - related parties, net (Notes 10, 23, 29 and 30)	63,275	-	48,071	-
1200	Other receivables (Note 10 and 29)	14,409	-	15,799	-
1210	Other receivables - related parties (Notes 10 and 30)	11,590	-	819	-
130X	Inventories (Note 11)	982,039	6	1,030,855	7
1410	Prepayments (Note 17 and 30)	86,796	-	57,754	-
1470	Other current assets (Note 17)	52	-	9	-
11XX	Total current assets	3,985,637	23	4,295,356	27
	Non-current assets				
1517	Financial assets at fair value through other comprehensive income - non-current (Notes 8, 29 and 31)	6,089,744	35	4,860,144	30
1535	Financial assets at amortized cost - non-current (Notes 9, 29, 30 and 31)	12,700	-	1,800	-
1550	Investments accounted for using the equity method (Note 12)	3,931,883	23	3,768,277	24
1600	Property, plant and equipment (Notes 13 and 27)	349,399	2	367,646	2
1755	Right-of-use assets (Note 14)	147,636	1	172,050	1
1760	Investment properties (Notes 15 and 31)	2,593,314	15	2,614,101	16
1780	Other intangible assets (Note 16)	4,886	-	3,181	-
1840	Deferred tax assets (Note 25)	36,755	-	29,691	-
1990	Other non-current assets (Note 17)	77,394	1	24,817	-
15XX	Total non-current assets	13,243,711	77	11,841,707	73
1XXX	Total Assets	\$ 17,229,348	100	\$ 16,137,063	100
	Liabilities and equity				
	Current liabilities				
2100	Short-term borrowings (Notes 18 and 31)	\$ 2,600,000	15	\$ 3,010,000	19
2110	Short-term bills payable (Note 18)	99,931	1	-	-
2130	Contract liabilities - current (Notes 23 and 30)	22,057	-	29,641	-
2150	Notes payable (Note 19)	165,424	1	222,899	2
2160	Notes payable - related parties (Notes 19 and 30)	39,160	-	36,260	-
2170	Accounts payable (Note 19)	125,570	1	103,099	1
2180	Accounts payable - related parties (Notes 19 and 30)	10,383	-	6,612	-
2219	Other payables (Note 20)	157,791	1	163,174	1
2220	Other payables - related parties (Notes 20 and 30)	2,286	-	1,705	-
2230	Current tax liabilities (Note 25)	131,492	1	45,164	-
2280	Lease liabilities - current (Note 14)	44,618	-	42,564	-
2399	Other current liabilities (Note 20)	3,166	-	23,475	-
21XX	Total current liabilities	3,401,878	20	3,684,593	23
	Non-current liabilities				
2570	Deferred tax liabilities (Note 25)	531,543	3	533,901	3
2580	Lease liabilities - non-current (Note 14)	107,889	1	134,581	1
2645	Guarantee deposits received (Note 30)	40,977	-	41,046	-
25XX	Total non-current liabilities	680,409	4	709,528	4
2XXX	Total liabilities	4,082,287	24	4,394,121	27
	Equity (Note 22)				
	Share capital				
3110	Common shares	3,000,413	17	3,000,413	19
3200	Capital surplus	13,385	-	10,010	-
	Retained earnings				
3310	Legal reserve	748,625	4	542,270	4
3320	Special reserve	1,006,356	6	1,006,548	6
3350	Unappropriated earnings	2,864,193	17	2,777,974	17
3300	Total retained earnings	4,619,174	27	4,326,792	27
	Other equity				
3410	Exchange differences on translating the financial statements of foreign operations	(2,773)	-	(1,261)	-
3420	Unrealized gains (losses) on financial assets at fair value through other comprehensive income	5,530,036	32	4,420,162	27
3400	Total other equity	5,527,263	32	4,418,901	27
3500	Treasury share	(13,174)	-	(13,174)	-
3XXX	Total equity	13,147,061	76	11,742,942	73
	TOTAL LIABILITIES AND EQUITY	\$ 17,229,348	100	\$ 16,137,063	100

The accompanying notes are an integral part of the parent company only financial statements.

Shinkong Textile Co., Ltd.
Parent Company Only Statements of Comprehensive Income
January 1 to December 31, 2023 and 2022
Unit: In Thousands of New Taiwan Dollars, Except Earnings Per Share

Code		2023		2022	
		Amount	%	Amount	%
	Operating revenue (Notes 23 and 30)				
4100	Sales revenue	\$ 3,002,924	95	\$ 2,980,355	95
4300	Rental revenue	157,518	5	157,222	5
4800	Other operating revenue	<u>748</u>	<u>-</u>	<u>603</u>	<u>-</u>
4000	Total operating revenue	<u>3,161,190</u>	<u>100</u>	<u>3,138,180</u>	<u>100</u>
	Operating costs (Notes 11, 24 and 30)				
5110	Cost of goods sold	(2,290,417)	(73)	(2,325,933)	(74)
5300	Rental costs	(<u>40,625</u>)	(<u>1</u>)	(<u>41,851</u>)	(<u>1</u>)
5000	Total operating costs	(<u>2,331,042</u>)	(<u>74</u>)	(<u>2,367,784</u>)	(<u>75</u>)
5900	Gross Profit	<u>830,148</u>	<u>26</u>	<u>770,396</u>	<u>25</u>
	Operating expenses (Notes 24 and 30)				
6100	Selling and marketing	(401,319)	(13)	(393,416)	(12)
6200	General and administrative	(141,799)	(4)	(145,508)	(5)
6300	R&D expenses	(34,949)	(1)	(29,688)	(1)
6400	Expected Credit Loss and Gain	<u>5</u>	<u>-</u>	<u>1,294</u>	<u>-</u>
6000	Total operating expenses	(<u>578,062</u>)	(<u>18</u>)	(<u>567,318</u>)	(<u>18</u>)
6500	Other income and expenses, net	<u>-</u>	<u>-</u>	<u>342</u>	<u>-</u>
6900	Net operating income	<u>252,086</u>	<u>8</u>	<u>203,420</u>	<u>7</u>
	NON-OPERATING INCOME and EXPENSES (Notes 24 and 30)				
7100	Interest income	14,608	1	4,772	-
7010	Other income	367,597	12	361,974	11
7020	Other gains and losses	(1,052)	-	112,549	4

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Code		2023		2022	
		Amount	%	Amount	%
7050	Finance costs	(\$ 50,464)	(2)	(\$ 34,704)	(1)
7060	Share of profit or loss of subsidiaries, associates and joint ventures accounted for using the equity method	<u>172,511</u>	<u>5</u>	<u>1,480,685</u>	<u>47</u>
7000	Total non-operating income and expenses	<u>503,200</u>	<u>16</u>	<u>1,925,276</u>	<u>61</u>
7900	Net income before tax	755,286	24	2,128,696	68
7950	Income tax expense (Note 25)	(<u>106,338</u>)	(<u>3</u>)	(<u>57,710</u>)	(<u>2</u>)
8200	Net income	<u>648,948</u>	<u>21</u>	<u>2,070,986</u>	<u>66</u>
8310	Other comprehensive income Items that will not be reclassified subsequently to profit or loss:				
8311	Remeasurement of defined benefit plans	(314)	-	4,920	-
8316	Unrealized gains (losses) on investments in equity instruments at fair value through other comprehensive income	1,119,044	35	(16,257)	-
8330	Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using the equity method	84,640	3	(34,243)	(1)

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<u>Code</u>		<u>2023</u>		<u>2022</u>	
		<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
8360	Items that may be reclassified subsequently to profit or loss:				
8370	Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using the equity method	(1,890)	-	6,720	-
8399	Income tax relating to items that may be reclassified subsequently to profit or loss	<u>378</u>	<u>-</u>	(<u>1,343</u>)	<u>-</u>
8300	Total other comprehensive income, net of tax	<u>1,201,858</u>	<u>38</u>	(<u>40,203</u>)	(<u>1</u>)
8500	Total comprehensive income	<u>\$ 1,850,806</u>	<u>59</u>	<u>\$ 2,030,783</u>	<u>65</u>
	Earnings per share (Note 26)				
	From continuing operations				
9710	Basic	<u>\$ 2.17</u>		<u>\$ 6.92</u>	
9810	Diluted	<u>\$ 2.17</u>		<u>\$ 6.91</u>	

The accompanying notes are an integral part of the parent company only financial statements.

Shinkong Textile Co., Ltd.
Parent Company Only Statements of Changes in Equity
January 1 to December 31, 2023 and 2022

Unit: In Thousands of New Taiwan Dollars

		Other equity									
		Share capital		Retained earnings			Exchange differences on translating the financial statements of foreign operations	Unrealized gains (losses) on financial assets at fair value through other comprehensive income	Treasury share	Total Equity	
Code		Number of Shares (in Thousands Shares)	Amount	Capital surplus	Legal reserve	Special reserve					Unappropriated earnings
A1	Balance at January 1, 2022	300,041	\$ 3,000,413	\$ 8,928	\$ 497,780	\$ 1,006,548	\$ 1,058,957	(\$ 6,638)	\$ 4,458,304	(\$ 13,174)	\$ 10,011,118
	Appropriation and distribution of surplus in 2021										
B1	Legal reserve	-	-	-	44,490	-	(44,490)	-	-	-	-
B5	Cash dividends to shareholders of the Company	-	-	-	-	-	(300,041)	-	-	-	(300,041)
	Other changes in capital surplus:										
M1	Changes in capital surplus from dividends paid to subsidiaries	-	-	804	-	-	-	-	-	-	804
T1	Dividends not collected before the designated date	-	-	278	-	-	-	-	-	-	278
Q1	Disposal of investments in equity instruments at fair value through other comprehensive income	-	-	-	-	-	(12,358)	-	12,358	-	-
D1	Net income in 2022	-	-	-	-	-	2,070,986	-	-	-	2,070,986
D3	Other comprehensive income in 2022, net of tax	-	-	-	-	-	4,920	5,377	(50,500)	-	(40,203)
D5	Total comprehensive income in 2022	-	-	-	-	-	2,075,906	5,377	(50,500)	-	2,030,783
Z1	Balance at December 31, 2022	300,041	3,000,413	10,010	542,270	1,006,548	2,777,974	(1,261)	4,420,162	(13,174)	11,742,942
B17	In compliance with the law, the initial implementation of the IFRS accounting standards pertains to special surplus reserves.	-	-	-	-	(192)	192	-	-	-	-
	Appropriation and distribution of surplus in 2022										
B1	Legal reserve	-	-	-	206,355	-	(206,355)	-	-	-	-
B5	Cash dividends to shareholders of the Company	-	-	-	-	-	(450,062)	-	-	-	(450,062)
	Other changes in capital surplus:										
M1	Changes in capital surplus from dividends paid to subsidiaries	-	-	1,205	-	-	-	-	-	-	1,205
T1	Dividends not collected before the designated date	-	-	2,170	-	-	-	-	-	-	2,170
Q1	Disposal of investments in equity instruments at fair value through other comprehensive income	-	-	-	-	-	93,810	-	(93,810)	-	-
D1	Net income in 2023	-	-	-	-	-	648,948	-	-	-	648,948
D3	Other comprehensive income in 2023, net of tax	-	-	-	-	-	(314)	(1,512)	1,203,684	-	1,201,858
D5	Total comprehensive income in 2023	-	-	-	-	-	648,634	(1,512)	1,203,684	-	1,850,806
Z1	Balance at December 31, 2023	300,041	\$ 3,000,413	\$ 13,385	\$ 748,625	\$ 1,006,356	\$ 2,864,193	(\$ 2,773)	\$ 5,530,036	(\$ 13,174)	\$ 13,147,061

The accompanying notes are an integral part of the parent company only financial statements.

Shinkong Textile Co., Ltd.
Parent Company Only Statements of Cash Flows
January 1 to December 31, 2023 and 2022

Unit: In Thousands of New Taiwan Dollars

Code		2023	2022
	Cash flows from operating activities		
A10000	Income before income tax	\$ 755,286	\$ 2,128,696
A20010	Adjustments:		
A20100	Depreciation	139,251	135,534
A20200	Amortization	2,071	2,120
A20300	Expected credit return gains	(5)	(1,294)
A20400	Net gains on financial assets and liabilities at fair value through profit or loss	(23,093)	(50,156)
A20900	Finance costs	50,464	34,704
A21200	Interest income	(14,608)	(4,772)
A21300	Dividend income	(351,873)	(360,509)
A22300	Share of profit or loss of subsidiaries and associates accounted for using the equity method	(172,511)	(1,480,685)
A22500	Loss (gain) on disposal of property, plant and equipment	25	(14)
A22700	Gain from disposal of investment properties	(3,377)	-
A23700	Write-downs of inventories	22,659	19,031
A23800	Gain from price recovery of inventory	-	-
A24500	Capital surplus from dividends on stocks that have not been collected	2,170	278
A29900	Construction in progress transferred to miscellaneous purchases	-	29
A29900	Gains on lease modification	-	(341)
A30000	Changes in operating assets and liabilities, net		
A31130	Notes receivable	(1,116)	19,769
A31150	Accounts receivable	(84,122)	63,465
A31180	Other receivables	2,208	85,921
A31200	Inventories	25,723	(293,060)
A31230	Prepayments	(29,042)	(2,155)
A31240	Other current assets	(43)	3
A32125	Contract liabilities	(7,584)	3,681
A32130	Notes payable	(54,575)	(36,586)
A32150	Accounts payable	26,242	4,720

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Code		2023	2022
A32180	Other payables	792	45,462
A32230	Other current liabilities	(20,309)	(181)
A32240	Net defined benefit liabilities	<u>2,275</u>	(<u>771</u>)
A33000	Cash generated from operations	266,908	312,889
A33300	Interest paid	(\$ 54,689)	(\$ 31,699)
A33500	Income tax paid	(<u>39,972</u>)	(<u>17,506</u>)
AAAA	Net cash generated from operating activities	<u>172,247</u>	<u>263,684</u>
Cash flows from investing activities			
B00010	Acquisition of financial assets at fair value through other comprehensive income	(108,410)	(32,159)
B00020	Disposal of the financial assets at fair value through other comprehensive income	27,685	326
B00030	Proceeds from capital reduction of financial assets at fair value through other comprehensive income	(10,900)	-
B00100	Acquisition of financial assets at fair value through profit or loss	(37,508)	(417,301)
B00200	Disposal of financial assets at fair value through profit or loss	167,090	80,779
B01800	Acquisition of long-term equity investments using equity method	(15,439)	(8,772)
B02700	Acquisition of property, plant, and equipment	(52,737)	(46,419)
B02800	Proceeds from disposal of property, plant and equipment	11	20
B03700	Increase in refundable deposits	(52,826)	-
B03800	Decrease in refundable deposits	-	1,960
B04300	Other receivables - related parties	(5)	(13)
B04500	Acquisition of intangible assets	(3,776)	(2,783)
B05400	Acquisition of investment properties	(2,561)	(627)
B05500	Proceeds from disposal of investment properties	3,674	-
B07100	Increase in prepayments for equipment	(3,734)	(13,420)
B07500	Interest received	14,608	4,772
B07600	Dividends received from subsidiaries/associates	642,329	68,843
B07600	Other dividends received	<u>351,873</u>	<u>360,509</u>
BBBB	Net cash used in investing activities	<u>919,374</u>	(<u>4,285</u>)

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Code		2023	2022
	Cash flows from financing activities		
C00100	Increase in short-term borrowings	-	1,130,000
C00200	Decrease in short-term borrowings	(410,000)	-
C00500	Increase in short-term bills payable	100,000	-
C00600	Decrease in short-term bills payable	-	(1,130,000)
C03100	Refund of guarantee deposits received	(69)	(221)
C04020	Repayment of the principal portion of lease liabilities	(43,648)	(42,386)
C04500	Dividends paid	(<u>450,062</u>)	(<u>300,041</u>)
CCCC	Net cash used in financing activities	(<u>803,779</u>)	(<u>342,648</u>)
EEEE	Net increase (decrease) in cash and cash equivalents	\$ 287,842	(\$ 83,249)
E00100	Cash and cash equivalents at beginning of year	<u>663,597</u>	<u>746,846</u>
E00200	Cash and cash equivalents at end of year	<u><u>\$ 951,439</u></u>	<u><u>\$ 663,597</u></u>

The accompanying notes are an integral part of the parent company only financial statements.

Shinkong Textile Co., Ltd.
Notes to Parent Company Only Financial Statements
January 1 to December 31, 2023 and 2022
(In Thousands of New Taiwan Dollars, Unless Otherwise Specified)

1. Company History

Shinkong Textile Co., Ltd. (the "Company") was founded in Taipei in June 1955. The Company's principal businesses are the production and sale of a variety of synthetic fibers, fabrics, and finished fabrics; agency for the import and sale of garments, and the leasing and sale of buildings and public housing units constructed by builders commissioned by the Company.

The Company's shares have been listed on the Taiwan Stock Exchange since March, 1977.

The Company's parent company only financial statements are presented in New Taiwan Dollars, which is the Company's functional currency.

2. Date and Procedures of Authorization of Financial Statements

The parent company only financial statements of the Company were approved and authorized for issue in the Board of Directors' meeting on March 8, 2024.

3. Application of New and Amended Standards and Interpretations

- 1) The first-time adoption of the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) (hereinafter referred to as "IFRSs") endorsed and issued into effect by the Financial Supervisory Commission (FSC).

The application of the amended IFRSs endorsed and issued into effect by the FSC shall not result in significant changes in the accounting policies of the Company.

- 2) Adoption of IFRSs accounting standards endorsed by the FSC from 2024 onwards

<u>New/Revised/Amended Standards and Interpretations</u>	<u>Effective Date Announced by IASB (Note 1)</u>
Amendments to IAS 16 "Lease Liabilities in Sale and Leaseback"	January 1, 2024 (Note 2)
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	January 1, 2024
Amendments to IAS 1 "Non-current liabilities with contract terms"	January 1, 2024
Amendments to IAS 7 and IFRS 7 "Supplier Financing Arrangement"	January 1, 2024 (Note 3)

Note1: Unless otherwise specified, the aforementioned new/revised/amended standards and interpretations shall be effective from annual reporting periods after the specified dates.

Note2: The Seller and Lessee shall retroactively apply the amendments to IFRS 16 to sale and leaseback transactions concluded after the first application of IFRS 16.

Note3: Exemptions from disclosure requirements will apply upon initial adoption of this amendment.

- 3) IFRSs accounting standards issued by the IASB but not yet endorsed and issued into effect by the FSC

<u>New/Revised/Amended Standards and Interpretations</u>	<u>Effective Date Announced by IASB (Note 1)</u>
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be determined
IFRS 17 "Insurance Contracts"	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendment to IFRS 17 "First Application of IFRS 17 and IFRS 9 - Comparative Information"	January 1, 2023
Amendment to IAS 21: "Lack of Exchangeability"	January 1, 2025 (Note 2)

Note1: Unless otherwise specified, the aforementioned new/revised/amended standards and interpretations shall be effective from annual reporting periods after the specified dates.

Note2: The amendments applied prospectively to annual reporting periods beginning on or after January 1, 2025. Upon the initial application of this amendment, the impact amount will be recognized in the retained earnings as of the date of initial application. If a merged entity uses a non-functional currency as its presentation currency, this will affect the adjustment of foreign currency translation differences for foreign operating entities in equity at the date of initial application.

Except for the above effects, as of the date of authorization of the parent company only financial statements, the Company has continued to assess the effects of amendments to other standards and interpretations on its financial conditions and performance. Related impacts will be disclosed upon completion of the assessment.

4. Summary of Significant Accounting Policies

1) Statement of compliance

The parent company only financial statements have been prepared in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

2) Basis of preparation

The parent company only financial statements have been prepared on a historical cost basis, except for financial instruments measured at fair value and net defined benefit liabilities recognized at the present value of defined benefit obligations less fair value of plan assets.

The fair value measurement is classified Level 1 to Level 3 based on the observability and importance of related input:

- a. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities on the measurement date.
- b. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly (i.e., prices) or indirectly (i.e., deduced from prices).
- c. Level 3 inputs are unobservable inputs for the asset or liability.

3) Classification of current and non-current assets and liabilities

Current assets include:

- a. Assets held primarily for trading purposes;
- b. Assets expected to be realized within 12 months after the balance sheet date; and
- c. Cash or cash equivalents (excluding those that are restricted for being used to exchange or settle liabilities beyond 12 months after the balance sheet date).

Current liabilities include:

- a. Liabilities held primarily for trading purposes;
- b. Liabilities due to settle within 12 months after the balance sheet date; and
- c. Liabilities with a repayment schedule that cannot be unconditionally deferred till at least 12 months after the balance sheet date.

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

4) Foreign Currency

In the preparation of financial statements by each entity, transactions denominated in a currency other than the entity's functional currency (i.e., foreign currency) are

translated into the functional currency by using the exchange rate at the date of the transaction.

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

Non-monetary items measured at fair value that are denominated in foreign currencies are translated at the exchange rates prevailing at the date when the fair value was determined. The resulting exchange difference is recognized in profit or loss, except for items whose changes in fair value are recognized in other comprehensive profit and loss, where the resulting exchange difference is recognized in other comprehensive profit and loss.

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

In the preparation of the parent company only financial statements, the assets and liabilities of foreign operations (including subsidiaries and associates that operate in a country or currency different from the Company) are translated into the New Taiwan dollar at the rate of exchange prevailing on the balance sheet date. Income and expenses are translated at the average rate of the period. The exchange differences arising are recognized in other comprehensive profit and loss.

If the Company disposes of the entire interest in the foreign operation, the disposal of partial interest in foreign operation's subsidiary with a loss of control, or the disposal of foreign operation's joint arrangement or associate where the retained interests are financial assets and accounted for using the accounting policies for financial instruments, all of the accumulated exchange differences attributable to owners of the Company and associated with the foreign operation are reclassified to profit or loss.

In relation to a partial disposal of a foreign operation's subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences is re-attributed to the non-controlling interests of the subsidiary but is not recognized in profit or loss. For all other partial disposals of a foreign operation, the proportionate share of the accumulated exchange difference is reclassified to profit or loss.

5) Inventories

Inventories comprise raw materials, supplies, finished goods, work in progress and merchandise inventory. Inventory costs are calculated using the weighted average method. Inventories are measured at the lower of cost and net realizable value. The comparison between cost and net realizable value is based on individual items except for the same type of inventory. The net realizable value is the estimated selling price in the ordinary course of business less the estimated cost of completion and the estimated cost necessary to make the sale. The weighted-average method is adopted for the calculation of inventory costs.

6) Investment in Subsidiaries

The Company accounts for its investments in subsidiaries using the equity method, Subsidiary is an entity (including structured entity) that is controlled by the Company.

Under the equity method, the investment is initially recognized at cost. The carrying amount of investment is adjusted thereafter for the post-acquisition changes in the Company's share of profit or loss and other comprehensive profit and loss and profit distribution of the subsidiaries. In addition, changes in the Company's share of subsidiaries' other equity are recognized in proportion to its shareholding ratio.

When a change in the Company's ownership interests in a subsidiary does not cause it to lose control of the subsidiary, it shall be accounted for as an equity transaction. The difference between the carrying amount of the investments and the fair value of the consideration paid or received is recognized directly in equity.

When the Company's share of losses of a subsidiary equals to or exceeds its interest in said subsidiary (which includes any carrying amount of the investment accounted for using the equity method and other long-term interest that, in substance, forms part of the Company's net investment in said subsidiary), the Company continues recognizing its share of further losses.

Any excess of the cost of acquisition over the Company's share of the net fair value of the identifiable assets and liabilities of subsidiaries (which constitute a business) recognized at the date of acquisition is recognized as goodwill, which is included in the carrying amount of the investment and may not be amortized. Any excess of the Company's share of the net fair value of the identifiable assets and liabilities of subsidiaries (which constitute a business) over the cost of acquisition is recognized as profit or loss in the current year.

When the Company assesses impairment, the test shall be performed on the basis of cash-generating units (CGUs) within the financial statements. The recoverable amount and the carrying amount of CGUs shall be compared. If the recoverable amount of the asset subsequently increases, the Company recognizes reversal of the impairment loss as a gain. However, the reversal is limited so that the carrying amount of the asset does not exceed the carrying amount that would have been determined, net of amortization, had no impairment loss been recognized for the asset in prior periods. Impairment losses attributable to goodwill shall not be reversed in subsequent periods.

When the Company loses control of a subsidiary, it recognizes the investment retained in the former subsidiary at its fair value at the date when control is lost. The difference between the fair value of the retained investment plus any proceeds from disposal and the carrying amount of the previous investment at the date when control is lost is recognized in profit or loss. Also, the Company accounted for all amounts recognized in other comprehensive profit and loss in relation to the subsidiary on the same basis as would be required if the Company had directly disposed of the related assets and liabilities.

The unrealized profit or loss in downstream transactions between the Company and the subsidiaries shall be eliminated in the parent company only financial statements. Profit or loss from upstream and lateral transactions between the Company and the subsidiaries are recognized in the parent company only financial statements only to the extent of interests in the subsidiaries that are not related to the Company.

7) Investment in Associates

An associate is an entity over which the Company has significant influence other than a subsidiary or a joint venture.

The Company accounts for its investments in associates using the equity method.

Under the equity method, the investments in associates are initially recognized at cost. The carrying amount of investment is adjusted thereafter for the post-acquisition changes in the Company's share of profit or loss and other comprehensive profit and loss and profit distribution of the associates. In addition, changes in the Company's share of associates' equity are recognized in proportion to its shareholding ratio.

Any excess of the cost of acquisition over the Company's share of the net fair value of the identifiable assets and liabilities of associates recognized at the date of acquisition is recognized as goodwill, which is included in the carrying amount of the investment and may not be amortized. Any excess of the Company's share of the net fair value of

the identifiable assets and liabilities over the cost of acquisition is recognized as profit or loss in the current year.

When the Company subscribes for additional new shares of the associate at a percentage different from its existing ownership percentage which in turn changes its net interest in the associate, the difference is recorded as an adjustment to capital surplus – changes in the net interests in associates equity accounted for using the equity method and investments accounted for using the equity method. If the subscription or acquisition at a percentage different from the existing ownership percentage results in a decrease in ownership interest in the associates, the proportionate amount previously recognized in other comprehensive income in relation to that associate is reclassified on the same basis as would be required if the associate had directly disposed of the related assets or liabilities. When the adjustment shall be debited to capital surplus, but the capital surplus recognized from investments accounted for using the equity method is insufficient, the shortage is debited to retained earnings.

Further loss shall be disregarded when the Company's share of loss to the associates is equal to or greater than its interest (including the carrying amount of the investment in associates accounted for using the equity method and other long-term equity that are essentially part of the Company's net investment in the associates) in the associates. Additional losses and liabilities are recognized only to the extent that the Company has incurred legal obligations, or constructive obligations, or made payments on behalf of said associates.

To assess impairment, the Company has to consider the overall carrying amount of the investment (including goodwill) as a single asset to compare the recoverable and carrying amounts. The impairment loss recognized is not allocated to any assets which form parts of the carrying amount of the investment, including goodwill. Reversal of the impairment loss is recognized to the extent of subsequent increases in the recoverable amount of investment.

The Company shall cease the use of equity method from the date when its investment is no longer an associate. Its retained interest in the associate is measured at fair value, and the difference between the fair value of the retained interest plus proceeds from disposal and the carrying amount of the previous investment at the date when the use of equity method is halted is recognized in profit or loss. Also, the Company accounted for all amounts recognized in other comprehensive profit and loss in relation to the associate on the same basis as would be required if the associate had directly

disposed of the related assets and liabilities. If an investment in an associate becomes an investment in a joint venture or vice versa, the Company continues to apply the equity method and does not remeasure the retained interest.

Profit or loss from upstream, downstream and lateral transactions between the Company and associates are recognized in the parent company only financial statements only to the extent of interests in the associates that are not related to the Company.

8) Property, plant and equipment (PP&E)

PP&E are stated at cost and subsequently measured at cost less accumulated depreciation and impairment.

PP&E under construction is recognized at cost less accumulated impairment loss. Cost includes professional fees and borrowing costs eligible for capitalization. Such assets are measured at the lower of cost and net realized value until they achieve their expected state of use, and the sale price and cost are recognized as profit or loss. Upon completion and their expected state of use, such assets are classified into the appropriate category of real estate, plant and equipment and depreciation begins.

The depreciation of PP&E in its useful life is made on a straight-line basis for each major part/component separately. Where the lease term is less than the useful life of an asset, the depreciation is recognized over the lease term. The Company estimated useful lives, residual values and depreciation method are reviewed at the end of each year, with the effect of any changes in estimate accounted for on a prospective basis.

When PP&E is derecognized, the difference between the net proceeds from disposal and the carrying amount of the asset shall be recognized in profit or loss.

9) Investment properties

Investment property is property held for rent or capital appreciation or both. Investment property also includes land held for a currently undetermined future use.

Freehold investment property is initially measured at costs (including transaction costs) and is subsequently measured at costs less accumulated depreciation and accumulated impairment losses. Depreciation is recognized on a straight-line basis.

Investment property under construction is recognized at cost less accumulated impairment loss. Cost includes professional fees and borrowing costs eligible for capitalization. Depreciation is recorded for these assets once they have reached the anticipated level of utilization.

In the event of derecognition, the difference between the net proceeds from disposal and the carrying amount of investment property is recognized in profit or loss.

10) Intangible assets

a. Separate Acquisition

Intangible assets with finite useful lives that are acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less accumulated amortization and accumulated impairment losses, if any. Intangible assets are amortized on a straight-line basis over the useful lives. The Company estimated useful lives, residual values and amortization method are reviewed at the end of each year, with the effect of any changes in estimate accounted for on a prospective basis. Intangible assets with indefinite useful lives are recognized at cost less accumulated impairment loss.

b. Derecognition

In the event of derecognition, the difference between the net proceeds from disposal and the carrying amount of intangible assets is recognized in profit or loss.

11) Impairment of PP&E, right-of-use assets, investment property, intangible assets and assets related to the contract costs

The Company assesses whether there is any indication that PP&E, right-of-use assets, investment properties and intangible assets may be impaired on each balance sheet date. If any such indication exists, the recoverable amount of the asset is estimated. If it is not possible to determine the recoverable amount for an individual asset, the Company shall estimate the recoverable amount of the asset's CGU.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

The recoverable amount is the fair value less costs to sell or the value in use, whichever is higher. If the recoverable amount of individual asset or the CGU is lower than its carrying amount, the carrying amount of the asset or the CGU shall be reduced to the recoverable amount and the impairment loss shall be recognized in profit or loss.

Impairment loss is recognized for inventory, PP&E and intangible assets under customer contracts in accordance with inventory impairment rules and the aforementioned rules. Then, impairment loss from the assets related to the contract costs is recognized to the extent that the carrying amount of the assets exceeds the remaining amount of consideration that the Group expects to receive in exchange for related goods or services less the costs which relate directly to providing those goods or services. The

carrying amount of assets related to the contract costs are then included in the CGU to which they belong for the purpose of evaluating the CGU' impairment.

When an impairment loss is subsequently reversed, the carrying amount of the asset, CGU or assets related to the contract costs is increased to the revised recoverable amount, but only to the extent of the carrying amount that would have been determined, net of amortization or depreciation, had no impairment loss been recognized for the asset, CGU or assets related to contract costs in prior periods. A reversal of an impairment loss is recognized in profit or loss.

12) Financial instruments

Financial assets and financial liabilities shall be recognized in the parent company only balance sheets when the Company becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities not at fair value through profit or loss are measured at fair value plus transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities on initial recognition. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

a. Financial assets

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

a) Types of measurement

Financial assets held by the Company are classified as financial assets at fair value through profit or loss, financial assets at amortized cost, and investments in equity instruments at fair value through other comprehensive profit and loss.

i. Financial assets at fair value through other comprehensive income

Financial assets at fair value through profit or loss include financial assets mandatorily measured at fair value through profit or loss and financial assets designated as at fair value through profit or loss. Financial assets mandatorily measured at fair value through profit or loss include investments in equity instruments not designated as at fair value through other comprehensive profit and loss, and investments in debt instruments which do not meet the criteria to be classified as measured at

amortized cost or at fair value through other comprehensive profit and loss of the Company.

Financial assets are designated as measured at fair value through profit or loss upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency.

Financial assets at fair value through profit or loss are measured at fair value, of which any dividends and interest accrued are recognized as other income and interest income. Gain or loss on remeasurement are recognized in other gains or losses. Please refer to Note 29 for methods adopted in determining the fair values.

ii. Financial assets at amortized cost

When the Company's investments in financial assets match the following two conditions simultaneously, they are classified as financial assets at amortized cost:

- i) Financial assets are under a business model whose purpose is to hold financial assets and collecting contractual cash flows; and
- ii) The terms of the contract generate a cash flow on a specified date that is solely for the payment of interest on the principal and the amount of principal outstanding.

Subsequent to initial recognition, financial assets at amortized costs (including cash and cash equivalents and accounts receivable, notes receivable, other receivables and refundable deposits that are measured at amortized cost) are measured at the gross carrying amount as determined using the effective interest method less any impairment loss. Foreign exchange gain or loss arising therefrom is recognized in profit or loss.

Except for the following two circumstances, interest income is calculated at the value of effective interest rate times the gross carrying amount of financial assets:

- i) For purchased or originated credit-impaired financial assets, interest income is calculated by applying the credit-adjusted effective interest rate to the amortized cost of the financial assets.
- ii) For financial assets that do not belong to the former category but subsequently have become credit-impaired, interest income is

calculated by applying the effective interest rate to the amortized cost of the financial assets in the subsequent period.

Credit-impaired financial assets are those where the issuer or debtor has experienced major financial difficulties or defaults, the debtor is likely to claim bankruptcy or other financial restructuring, or disappearance of an active market for the financial asset due to financial difficulties.

Cash equivalents include time deposits with original maturities within three months from the date of acquisition, which are highly liquid, readily convertible to known amounts of cash and subject to an insignificant risk of changes in value. They are used for meeting short-term cash commitments.

- iii. Investments in equity instruments at fair value through other comprehensive profit and loss

The Company may, at initial recognition, make an irrevocable decision to designate an investment in equity instrument that is neither held for trading nor contingent consideration arising from a parent company to be measured at fair value through other comprehensive profit and loss.

Investments in equity instruments at fair value through other comprehensive profit and loss are measured at fair value, and any subsequent fair value changes are recognized in other comprehensive profit and loss and accumulated in other equity. When the investment is disposed of, the cumulative profit or loss is directly transferred to retained earnings and not reclassified to profit or loss.

Dividends of investments in equity instruments at fair value through other comprehensive profit and loss are recognized in profit or loss when the Company's right to receive payment is confirmed unless such dividends clearly represent the recovery of a part of the investment cost.

- b) Impairment of financial assets and contract assets

The Company evaluates impairment losses of financial assets (including accounts receivable) at amortized cost, investments in debt instruments at fair value through other comprehensive profit and loss, lease receivable and contract assets based on expected credit loss (ECL) at each balance sheet date.

Loss allowances for accounts receivable, lease receivables and contract assets are recognized based on the lifetime ECL. Loss allowance for other financial assets whose credit risk has not increased significantly since initial recognition is measured at an amount equal to 12-month ECL. If the credit risk has increased significantly, the loss allowance is measured at an amount equal to lifetime ECL.

The ECL is the weighted average credit loss determined by the risk of default. The 12-month ECL represents the ECL arising from the possible default of the financial instrument in the 12 months after the balance sheet date, and the lifetime ECL represents the ECL arising from all possible defaults of the financial instrument during the expected existence period.

For the purpose of internal credit risk management, the Company, without considering the collateral held, determines that the following situations represent defaults in the financial assets:

- i. There is internal or external information indicating that it is impossible for the debtor to settle the debt.
- ii. Overdue for more than 90 days, unless there is reasonable and supportable information showing that a delayed default base is more appropriate.

For all financial assets, the impairment loss is reflected by reducing the carrying amount through the loss allowance account, except for investments in debt instruments at fair value through other comprehensive profit and loss where the impairment loss is recognized in other comprehensive profit and loss and the carrying amount is not reduced.

c) Derecognition of financial assets

The Company derecognizes financial assets when the contractual rights to the cash inflow from the asset expire or when the Company transfers the financial assets with substantially all the risks and rewards of ownership to other enterprises.

If the Company neither transfers nor retains nearly all risks and rewards of the ownership of the financial assets and retains control over the assets, it shall continue to recognize the assets within the scope of continuous participation in the asset and recognize relevant liabilities for the possible payable amount. If the Company retains almost all risks and reward of the

ownership of the financial assets, the assets shall continue to be recognized, and the proceeds collected shall be recognized as secured loans.

On derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the consideration received is recognized in profit or loss. On derecognition of investments in debt instruments at fair value through other comprehensive profit and loss in its entirety, the difference between the carrying amount and the consideration received plus the cumulative gain or loss already recognized in other comprehensive profit and loss is recognized in profit or loss. On derecognition of investments in equity instruments at fair value through other comprehensive profit and loss in its entirety, the cumulative gain or loss is directly transferred to retained earnings and not reclassified to profit or loss.

b. Equity instruments

Debt and equity instruments issued by the Company are classified as either financial liabilities or equity in accordance with the substance of the contractual arrangements and the definitions of financial liabilities and equity instruments.

The equity instrument issued by the Company shall be recognized by the payment net of the direct cost of issuance.

The reacquisition of the Company's own equity instruments is recognized and deducted under equity, and the carrying amount is calculated on a weighted average basis by the class of shares. The purchase, sale, issue or write-down of the Company's own equity instruments is not recognized as profit or loss.

c. Financial liabilities

a) Subsequent measurement

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

b) Derecognition of financial liabilities

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

13) Revenue recognition

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

Revenue from the sale of goods

Revenue from the sale of goods comes from sales of textile products. Unless otherwise specified, when goods are shipped, customers obtain the rights to set the prices and use the goods, take on the primary responsibility for sales to future customers, and bear the risks of obsolescence. The Company would recognize revenue and accounts receivable at that time.

Revenue on materials delivered to subcontractors for processing is not recognized because the delivery does not involve a transfer of control.

14) Leases

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

a. Where the Company is a lessor

If the lease transfers substantially all of the risks and rewards incidental to the underlying asset's ownership to the lessee, it is classified as a finance lease. All other leases are classified as operating leases.

Under operating leases, lease payments after deducting lease incentives are recognized as income on a straight-line basis over the relevant lease term. Lease negotiated with the lessee are accounted for as new leases from the effective date of the lease modification.

When a lease simultaneously include land and building elements, the Company classifies them as finance lease or operating lease based on whether substantially all of the risks and rewards from ownership of the elements have been transferred to the lessee. Lease payments are apportioned to land and buildings in proportion to the fair value of land and building lease rights on the contract establishment date. If lease payments can be apportioned reliably to these two elements, each element is treated according to the applicable lease classification. If lease payments cannot be allocated reliably to the two elements, the entire lease is classified as a finance lease, except when both elements clearly meet the standards of operating leases, the entire lease would be classified as an operating lease.

b. Where the Company is a lessee

The Company recognizes right-of-use assets and lease liabilities for all leases at the commencement date of a lease, except for lease payments of low-value asset leases and short-term leases subject to recognition exemption where lease payments are recognized as expenses on a straight-line basis over the lease terms.

The right-of-use asset is initially measured at cost (including the initial measurement amount of lease liabilities, all lease payments made on or before the commencement date, less any lease incentives received, the initial direct cost and the estimated cost for restoring the underlying asset), and subsequently measured at cost minus the accumulated depreciation and the accumulated impairment loss and adjusted for the remeasurement of the lease liability. Right-of-use assets are separately presented on the parent company only balance sheets.

A right-of-use asset is depreciated on a straight-line basis from the lease commencement date to the end of the useful life or the end of the lease term, whichever is earlier.

Lease liabilities are initially measured at the present value of the lease payments (including fixed payments). If the interest rate implicit in the lease can be readily determined, lease payments would be discounted using this rate. If the rate cannot be readily determined, the Company would use the incremental borrowing rate of lessee.

Subsequently, the lease liability is measured at amortized cost using the effective interest method with interest expense recognized over the lease terms. When there is a change in future lease payments during the lease term, the Company remeasures the lease liabilities with a corresponding adjustment to the right-of-use assets. However, if the carrying amount of the right-of-use assets is already reduced to zero, the remaining amount of the remeasurement is recognized in profit or loss. For lease modifications that are not treated as a separate lease, remeasurement of the lease liabilities due to the reduction in the scope of the lease is to reduce the right-of-use assets, and to recognize the profit or loss on the partial or full termination of the lease; the remeasurement of the lease liabilities due to other modifications is to adjust the right-of-use assets. Lease liabilities are separately presented on the parent company only balance sheets.

The Company and Lessor have a rent concession directly related to COVID-19. The adjustment of payments due before June 30, 2022 resulted in a rent reduction, and there was no material change in other lease terms and conditions. The Company chooses to treat all rent concessions that meet the foregoing conditions on a practical expedient basis, without assessing whether they are lease modifications or not. Instead, the company recognizes the reduction of lease payments as profit or loss (minus the depreciation expense of the used assets) when

the concession event or condition occurs, and makes a relative reduction of lease liabilities.

15) Borrowing costs

Borrowing costs directly attributable to an acquisition, construction, or production of qualifying assets are added to the cost of such assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

Other than those stated above, all other borrowing costs are recognized as profit or loss in the period in which they are incurred.

16) Government grants

Government grants are recognized only when they can be reasonably assured that the Company would comply with the conditions imposed for the government grants and that such grants can be received.

Government grants related to income are recognized in profit or loss on a systematic basis during the period when the Company recognizes the relevant costs that such grants are intended to compensate as expenses. Government grants that require the Company to acquire, construct or obtain non-current assets in other means as conditions for receiving the grants are recognized as deferred income and shall be transferred to profit or loss on a reasonable and systematic basis during the useful lives of related assets.

If the government grants are used to compensate fees or losses that had incurred, or are given to the Company for the purpose of immediate financial support without related future costs, such grants may be recognized in profit or loss within the collectible period.

17) Employee benefits

a. Short-term employee benefits

Liabilities recognized in respect of short-term employee benefits are measured at the non-discounted amount of the benefits expected to be paid in exchange for the employees' services.

b. Post-employment benefits

Payments to defined contribution retirement benefit plans are recognized as an expense when employees have rendered service entitling them to the contributions.

The costs of defined benefits under the defined benefit retirement plan (including service cost, net interest, and the remeasurement amount) are calculated based on the projected unit credit method. The cost of services (including the cost of services of the current period) and the net interest of the net defined benefit liability (asset) are recognized as employee benefit expenses when they are incurred. Remeasurement (comprising actuarial gains and losses, and return on plan assets net of interests) is recognized in other comprehensive profit and loss and included in retained earnings. It is not reclassified to profit or loss in subsequent periods.

Net defined benefit liabilities (assets) are the deficit (surplus) of the contribution made according to the defined benefit retirement plan. A net defined benefit asset shall not exceed the present value of the contributions to be refunded from the plan, or the reductions in future contributions.

18) Income tax

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

a. Current income tax

The Company determines its current income (losses) according to the regulations established by the governing authority of each income tax reporting region and calculates the income tax payable (recoverable) accordingly.

An additional tax is levied on the unappropriated earnings pursuant to the Income Tax Act and is recorded as an income tax expense in the year when the shareholders' meeting resolves to appropriate the earnings.

Adjustments to income tax payable from previous years are recognized in the current income tax.

b. Deferred income tax

Deferred income tax is calculated based on the temporary difference between the carrying amount of the assets and liabilities in the financial statements and the tax basis of the taxable income.

Deferred income tax liabilities are generally recognized based on all taxable temporary differences. Deferred income tax assets are recognized to the extent that it is probable that there is taxable income to be applied to deductible temporary differences or unused tax credits.

Deferred income tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, except where the Company is able to control the reversal of the temporary difference and

it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income tax assets arising from deductible temporary differences associated with such investments are only recognized to the extent that it is probable that there will be sufficient taxable profit against which to utilize the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred income tax assets is reviewed on each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable income will be available to recover all or part of the assets. A previously unrecognized deferred income tax asset is also reviewed on each balance sheet date with carrying amount increased to the extent that it is probable that sufficient taxable income will be available to recover all or part of the assets.

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

c. Current and deferred income taxes

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

5. Primary Sources of Uncertainties in Material Accounting Judgments, Estimates, and Assumptions

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

The Company during developing significant accounting estimate values will take climate change and governmental policies and its possible impact on regulations into consideration of significant accounting estimates such as cash flow estimation, growth rate, discount rate, and profitability. Management will continue to review the estimations and basic assumptions.

Primary Sources of Uncertainties in Estimates, and Assumptions

- 1) Estimated impairment of financial assets, contract assets and financial guarantee contracts

The estimated impairment of accounts receivable is based on the Company's assumptions regarding the probability of default and the default loss rate. The Company considers historical experience, current market conditions and forward-looking information to make assumptions and select the input value for impairment assessment. Please refer to Note 10 for important assumptions and input values.

- 2) Impairment of inventory

The net realized value of inventory is an estimate of the estimated selling price in the normal course of business less the estimated cost to complete and the estimated cost to complete the sale. Such estimates are assessed based on current market conditions and historical sales experience of similar products. Changes in market conditions may materially affect such estimates.

6. Cash and cash equivalent

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Cash on hand and working capital	\$ 984	\$ 789
Checks and demand deposits in banks	757,321	475,170
Time deposits in banks (Within 3 months)	<u>193,134</u>	<u>187,638</u>
	<u>\$ 951,439</u>	<u>\$ 663,597</u>

Interest rate ranges at the balance sheet date were as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Bank deposits	0.001%~5.6%	0.001%~4.9%

7. Financial Instruments at Fair Value through Profit or Loss

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>Financial assets - current</u>		
Designated as at fair value through profit or loss		
— Domestic stocks listed on TWSE or TPEX or emerging stocks	\$ 23,960	\$ 28,698
Mandatorily measured at fair value through profit or loss		
— Fund beneficiary certificates	<u>427,233</u>	<u>530,422</u>
	<u>\$ 451,193</u>	<u>\$ 559,120</u>

8. Financial assets at fair value through other comprehensive income

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>Investments in equity instruments</u>		
<u>Current</u>		
Domestic Investment		
Stocks listed on TWSE or TPEX	<u>\$ 1,054,662</u>	<u>\$ 1,619,189</u>
<u>Non-current</u>		
Domestic Investment		
Stocks listed on TWSE or TPEX	\$ 4,000,484	\$ 2,971,147
Stocks unlisted on TWSE or TPEX	<u>2,089,260</u>	<u>1,888,997</u>
Subtotal	<u>\$ 6,089,744</u>	<u>\$ 4,860,144</u>

The Company invested in aforementioned items pursuant to its medium-term and long-term strategies for the purpose of making a profit through long-term investment. The management chose to designate these investments to be measured at fair value through other comprehensive profit and loss as they believed that recognizing short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Company's strategy of holding these investments for long-term purposes.

Please refer to Note 31 for details of investments in equity instruments at fair value through other comprehensive profit and loss pledged.

9. Financial assets at Amortized Cost

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>Non-current</u>		
Domestic Investment		
Time deposits with original maturities over one year	<u>\$ 12,700</u>	<u>\$ 1,800</u>

- 1) As of December 31, 2023 and 2022, the interest rate ranges of time deposits with original maturities over one year were 1.34% to 1.575% and 0.9% to 1.14%, respectively.
- 2) Financial assets at amortized cost are classified as current or non-current pursuant to the maturity dates on the contracts or the pledged periods.
- 3) Please refer to Note 31 for details of financial assets at amortized cost pledged.

10. Notes and accounts receivable

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>Notes receivable</u>		
Measured at amortized cost		
Total carrying amount	\$ 11,024	\$ 9,907
Less: loss allowance	<u>-</u>	<u>-</u>
	<u>\$ 11,024</u>	<u>\$ 9,907</u>
 Notes receivable - related parties (Note 30)	 <u>\$ 7</u>	 <u>\$ 8</u>
 Measured at amortized cost		
Total carrying amount	\$ 359,151	\$ 290,233
Less: loss allowance	<u>-</u>	<u>(5)</u>
	<u>\$ 359,151</u>	<u>\$ 290,228</u>
 Accounts receivable - related parties (Note 30)	 <u>\$ 63,275</u>	 <u>\$ 48,071</u>
 <u>Other receivables</u>		
Tax refunds receivable	\$ 14,382	\$ 15,748
Other	<u>27</u>	<u>51</u>
	<u>\$ 14,409</u>	<u>\$ 15,799</u>
 Other receivables - related parties (Note 30)	 <u>\$ 11,590</u>	 <u>\$ 819</u>

Notes and accounts receivable

The Company allows an average credit period of 60 days for the sale of goods with non-interest-bearing accounts receivables. It assesses credit risk based on contracts with positive fair value as of the balance sheet date. Counterparties of the Company are financial institutions and companies with sound credit ratings. The Company reviews recoverable amounts of receivables one by one on the balance sheet date to ensure impairment loss is provided for unrecoverable receivables. Thus, no significant credit risk is expected.

The Company recognizes loss allowance for accounts receivables based on lifetime ECL. The lifetime ECL is calculated based on a provision matrix that takes into account the default history and current financial position of customers, industry economics well as GDP forecasts and industry prospective. The Company's experience in credit loss shows that there is no significant difference in the loss patterns of different customer groups. Therefore, the provision matrix does not further distinguish the customer base, and only sets the ECL rate based on the overdue days of accounts receivable.

The Company writes off accounts receivable when there is evidence indicating that the counterparty is experiencing severe financial difficulty and there is no realistic prospect of recovery of the receivables. The Company continues to engage in enforcement activity to recover the receivables after the write-off. Where recoveries are made, they are recognized in profit or loss.

The Company's loss allowances for notes and accounts receivables based on the provision matrix are as follows:

December 31, 2023

	Billed for 1-60 Days	Billed for 61~120 Days	Billed for 121 ~ 180 Days	Billed over 180 Days	Total
ECL rate	0%	0%	0%	0%~100%	
Total carrying amount	\$ 378,905	\$ 54,027	\$ 525	\$ -	\$ 433,457
Loss allowance (lifetime ECL)	-	-	-	-	-
Amortized cost	<u>\$ 378,905</u>	<u>\$ 54,027</u>	<u>\$ 525</u>	<u>\$ -</u>	<u>\$ 433,457</u>

December 31, 2022

	Billed for 1-60 Days	Billed for 61~120 Days	Billed for 121 ~ 180 Days	Billed over 180 Days	Total
ECL rate	0%	0%	0%	4.35%~100%	
Total carrying amount	\$ 335,907	\$ 12,161	\$ 120	\$ 31	\$ 348,219
Loss allowance (lifetime ECL)	-	-	-	(5)	(5)
Amortized cost	<u>\$ 335,907</u>	<u>\$ 12,161</u>	<u>\$ 120</u>	<u>\$ 26</u>	<u>\$ 348,214</u>

Changes in loss allowances for accounts receivables are as follows:

	2023	2022
Beginning balance	\$ 5	\$ 1,302
Less: Impairment loss reversed in the year	(5)	(1,294)
Less: Actual write-off in the year	-	(3)
Ending balance	<u>\$ -</u>	<u>\$ 5</u>

11. Inventories

	December 31, 2023	December 31, 2022
Finished goods	\$ 477,295	\$ 511,573
Work in progress	136,422	186,395
Raw materials	58,602	94,625
Merchandise inventories	<u>309,720</u>	<u>238,262</u>
	<u>\$ 982,039</u>	<u>\$ 1,030,855</u>

The cost of goods sold related to inventories for the years of 2023 and 2022 was NT\$2,290,417 thousand and NT\$2,325,933 thousand respectively. The cost of goods sold for the years of 2023 and 2022 included gain from price recovery of NT\$22,659 thousand and NT\$(19,031) thousand respectively.

12. Investments Using Equity Method

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Investment in Subsidiaries	\$ 2,553,494	\$ 3,049,349
Investment in Associates	<u>1,378,389</u>	<u>718,928</u>
	<u>\$ 3,931,883</u>	<u>\$ 3,768,277</u>

1) Investment in Subsidiaries

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Shinkong Asset Management Co., Ltd.	\$ 2,562,956	\$ 3,054,456
SK INNOVATION CO., LTD.	3,712	8,067
Reclassified to treasury shares (Note 22(6))	(<u>13,174</u>)	(<u>13,174</u>)
	<u>\$ 2,553,494</u>	<u>\$ 3,049,349</u>

	<u>Percentage of Ownership Interest and Voting Rights</u>	
<u>Name of subsidiary</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Shinkong Asset Management Co., Ltd.	100%	100%
SK INNOVATION CO., LTD.	100%	100%

2) Investment in associates

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>Associates that are individually material</u>		
Publicly traded company		
Chyang Sheng Dyeing & Finishing Co., Ltd.	<u>\$ 560,501</u>	<u>\$ -</u>
Non-publicly traded company		
Lian Quan Investment Co., Ltd.	461,590	363,569
Shang De Motor Co., Ltd.	<u>305,330</u>	<u>300,027</u>
	<u>766,920</u>	<u>663,596</u>
<u>Associates that are not individually material</u>		
WPI-High Street LLC	<u>50,968</u>	<u>55,332</u>
	<u>\$ 1,378,389</u>	<u>\$ 718,928</u>

a. Associates that are individually material

The percentage of ownership interest and voting rights of the Company in associates on the balance sheet date are as follows:

<u>Name of Company</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Chyang Sheng Dyeing & Finishing Co., Ltd.	20.30%	-
Lian Quan Investment Co., Ltd.	48.89%	48.89%
Shang De Motor Co., Ltd.	33.50%	33.50%
WPI-High Street, LLC	35.71%	35.71%

In August 2023, our Company acquired more than 20% of the shares of Chyang Sheng Dyeing & Finishing Co., Ltd. on the centralized trading market, which had a significant impact on the Company. As a result, it is now classified as an affiliate.

Please refer to Table 6 “Names, locations, and other information of investees” for the aforementioned associates’ nature of business, main business premises, and countries of registration.

The investments accounted for using the equity method and the merged Company’s share of profit or loss and other comprehensive profit and loss of these associates are calculated based on the associates’ audited financial statements for the same periods.

The Company adopts the equity method for all of the aforementioned associates.

The summary of financial information below is based on individual associates’ parent company’s financial statements prepared in accordance with the IFRSs and adjustments made for the use of the equity method are included.

Chyang Sheng Dyeing & Finishing Co., Ltd.

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Current assets	\$ 452,538	\$ -
Non-current assets	2,065,597	-
Current liabilities	(127,284)	-
Non-current liabilities	(115,063)	-
EQUITY	<u>\$ 2,275,788</u>	<u>\$ -</u>
Shareholding ratio of the Company	20.30%	-
Interests of the Company	\$ 461,946	\$ -
Investment premium	<u>98,555</u>	<u>-</u>
Carrying amount of investments	<u>\$ 560,501</u>	<u>\$ -</u>

	2023	2022
Operating revenue	\$ 340,888	\$ -
Net income	\$ 127,390	\$ -
Other comprehensive income	-	-
Total comprehensive income	\$ 127,390	\$ -

Lian Quan Investment Co., Ltd.

	December 31, 2023	December 31, 2022
Current assets	\$ 8,577	\$ 6,793
Non-current assets	1,100,621	927,838
Current liabilities	(165,058)	(190,985)
EQUITY	\$ 944,140	\$ 743,646
Shareholding ratio of the Company	48.89%	48.89%
Interests of the Company	\$ 461,590	\$ 363,569
Carrying amount of investments	\$ 461,590	\$ 363,569

	2023	2022
Operating revenue	\$ 32,599	\$ 22,843
Net income	\$ 27,711	\$ 18,581
Other comprehensive income	84,474	(30,274)
Total comprehensive income	\$ 112,185	(\$ 11,693)

Shang De Motor Co., Ltd.

	December 31, 2023	December 31, 2022
Current assets	\$ 1,095,028	\$ 1,138,729
Non-current assets	428,622	462,878
Current liabilities	(957,110)	(1,056,164)
Non-current liabilities	(63,043)	(57,774)
EQUITY	\$ 503,497	\$ 487,669
Shareholding ratio of the Company	33.50%	33.50%
Interests of the Company	\$ 168,672	\$ 163,369
Investment premium	136,658	136,658
Carrying amount of investments	\$ 305,330	\$ 300,027

	2023	2022
Operating revenue	<u>\$ 3,870,887</u>	<u>\$ 3,495,348</u>
Net income	<u>\$ 131,852</u>	<u>\$ 140,183</u>
Total comprehensive income	<u>\$ 131,852</u>	<u>\$ 140,183</u>

b. Aggregate information of associates that are not individually material

WPI-High Street , LLC

	2023	2022
The Company's share		
Net profit of continuing operations in the year	\$ 6,898	\$ 16,787
Other comprehensive income	(<u>3,469</u>)	<u>5,698</u>
Total comprehensive income	<u>\$ 3,429</u>	<u>\$ 22,485</u>

13. Property, plant and equipment (PP&E)

	Land	Buildings	Machinery and Equipment	Transportation Equipment	Hydropower Equipment	Miscellaneous Equipment	Lease Improvement	Construction in Progress	Total
<u>Cost</u>									
Balance at January 1, 2023	\$ 99,458	\$ 278,413	\$ 587,709	\$ 10,125	\$ 127,503	\$ 153,727	\$ 44,371	\$ 75	\$1,301,381
Additions	-	1,269	10,195	980	-	11,723	29,847	-	54,014
Reclassifications	-	252	299	-	-	-	75	(75)	551
Disposals	-	-	(1,642)	-	-	(270)	(15,860)	-	(17,772)
Balance at December 31, 2023	<u>\$ 99,458</u>	<u>\$ 279,934</u>	<u>\$ 596,561</u>	<u>\$ 11,105</u>	<u>\$ 127,503</u>	<u>\$ 165,180</u>	<u>\$ 58,433</u>	<u>\$ -</u>	<u>\$1,338,174</u>
<u>Accumulated depreciation and impairment</u>									
Balance at January 1, 2023	\$ -	\$ 244,598	\$ 480,332	\$ 5,974	\$ 82,787	\$ 99,430	\$ 20,614	\$ -	\$ 933,735
Depreciation	-	2,068	34,007	827	4,653	10,383	20,838	-	72,776
Disposals	-	-	(1,606)	-	-	(270)	(15,860)	-	(17,736)
Balance at December 31, 2023	<u>\$ -</u>	<u>\$ 246,666</u>	<u>\$ 512,733</u>	<u>\$ 6,801</u>	<u>\$ 87,440</u>	<u>\$ 109,543</u>	<u>\$ 25,592</u>	<u>\$ -</u>	<u>\$ 988,775</u>
Net balance at December 31, 2023	<u>\$ 99,458</u>	<u>\$ 33,268</u>	<u>\$ 83,828</u>	<u>\$ 4,304</u>	<u>\$ 40,063</u>	<u>\$ 55,637</u>	<u>\$ 32,841</u>	<u>\$ -</u>	<u>\$ 349,399</u>
<u>Cost</u>									
Balance at January 1, 2022	\$ 92,452	\$ 262,113	\$ 583,097	\$ 7,795	\$ 119,930	\$ 130,938	\$ 19,048	\$ 948	\$1,216,321
Additions	-	393	3,062	2,330	3,613	13,599	23,347	75	46,419
Reclassifications	7,006	15,907	13,973	-	3,960	10,054	4,140	(948)	54,092
Disposals	-	-	(12,423)	-	-	(864)	(2,164)	-	(15,451)
Balance at December 31, 2022	<u>\$ 99,458</u>	<u>\$ 278,413</u>	<u>\$ 587,709</u>	<u>\$ 10,125</u>	<u>\$ 127,503</u>	<u>\$ 153,727</u>	<u>\$ 44,371</u>	<u>\$ 75</u>	<u>\$1,301,381</u>
<u>Accumulated depreciation and impairment</u>									
Balance at January 1, 2022	\$ -	\$ 227,137	\$ 460,212	\$ 5,449	\$ 77,417	\$ 89,872	\$ 4,607	\$ -	\$ 864,694
Depreciation	-	1,893	32,543	525	5,370	10,416	18,171	-	68,918
Reclassifications	-	15,568	-	-	-	-	-	-	15,568
Disposals	-	-	(12,423)	-	-	(858)	(2,164)	-	(15,445)
Balance at December 31, 2022	<u>\$ -</u>	<u>\$ 244,598</u>	<u>\$ 480,332</u>	<u>\$ 5,974</u>	<u>\$ 82,787</u>	<u>\$ 99,430</u>	<u>\$ 20,614</u>	<u>\$ -</u>	<u>\$ 933,735</u>
Net balance at December 31, 2022	<u>\$ 99,458</u>	<u>\$ 33,815</u>	<u>\$ 107,377</u>	<u>\$ 4,151</u>	<u>\$ 44,716</u>	<u>\$ 54,297</u>	<u>\$ 23,757</u>	<u>\$ 75</u>	<u>\$ 367,646</u>

Unrecognized or reversal on impairment loss in 2023 and 2022.

Depreciation expense on a straight-line basis is calculated according to the following useful lives:

Buildings	
Main building of the plant	15 to 50 years
Others	3 to 25 years
Machinery and Equipment	2 to 20 years
Transportation Equipment	5 to 15 years
Hydropower Equipment	5 to 40 years
Miscellaneous Equipment	0.75 to 40 years
Lease Improvement	0.25 to 6 years

14. Lease Agreements

1) Right-of-use assets

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Carrying amount of right-of-use assets		
Buildings	\$ 138,793	\$ 166,320
Office equipment	1,211	1,629
Transportation Equipment	<u>7,632</u>	<u>4,101</u>
	<u>\$ 147,636</u>	<u>\$ 172,050</u>
	<u>2023</u>	<u>2022</u>
Additions to right-of-use assets	<u>\$ 16,081</u>	<u>\$ 80,840</u>
Disposal of right-of use assets	<u>\$ -</u>	<u>\$ 11,739</u>
Depreciation expense of right-of-use assets		
Buildings	\$ 40,296	\$ 40,650
Office equipment	418	394
Transportation Equipment	2,710	2,470
Other equipment	<u>-</u>	<u>162</u>
	<u>\$ 43,424</u>	<u>\$ 43,676</u>

Except for the recognition of depreciation expense, the Company's right-of-use assets did not experience significant sub-lease or impairments for the years ended 2023 and 2022.

2) Lease liabilities

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Carrying amount of lease liabilities		
Current	<u>\$ 44,618</u>	<u>\$ 42,564</u>
Non-current	<u>\$ 107,889</u>	<u>\$ 134,581</u>

Discount rate ranges for lease liabilities are as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Buildings	0.946%~1.721%	0.946%~1.457%
Office equipment	0.9%~0.981%	0.9%~ 0.981%
Transportation Equipment	0.915%~1.725%	0.915%~1.167%

3) Major lease activities and terms

The Company leases buildings, office equipment, transportation equipment and other equipment to be used as factories, employee dormitory, business outlets, business vehicles and employee offices with lease terms of 2 to 6 years. At the end of the lease period, the Company has no bargain purchase option for the leased building.

4) Other lease information

Please refer to Note 15 for agreements on investment property leased under operating leases.

	<u>2023</u>	<u>2022</u>
Short-term lease expenses	<u>\$ 7,191</u>	<u>\$ 6,399</u>
Total cash(outflow)for leases	<u>(\$ 52,491)</u>	<u>(\$ 50,389)</u>

The Company elects to apply the recognition exemption on certain other equipment and leases which meet the criteria for short-term leases and thus, does not recognize right-of-use assets and lease liabilities for these leases.

15. Investment properties

	<u>Land</u>	<u>Buildings</u>	<u>Total</u>
<u>Cost</u>			
Balance at January 1, 2023	\$ 2,227,987	\$ 1,096,331	\$ 3,324,318
Additions	-	2,561	2,561
Disposals	(<u>297</u>)	<u>-</u>	(<u>297</u>)
Balance at December 31, 2023	<u>\$ 2,227,690</u>	<u>\$ 1,098,892</u>	<u>\$ 3,326,582</u>
<u>Accumulated depreciation and impairment</u>			
Balance at January 1, 2023	\$ -	\$ 710,217	\$ 710,217
Depreciation	-	<u>23,051</u>	<u>23,051</u>
Balance at December 31, 2023	<u>\$ -</u>	<u>\$ 733,268</u>	<u>\$ 733,268</u>
Net balance at December 31, 2023	<u>\$ 2,227,690</u>	<u>\$ 365,624</u>	<u>\$ 2,593,314</u>

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	Land	Buildings	Total
<u>Cost</u>			
Balance at January 1, 2022	\$ 2,234,993	\$ 1,111,611	\$ 3,346,604
Additions	-	627	627
Reclassifications	(7,006)	(15,907)	(22,913)
Balance at December 31, 2022	<u>\$ 2,227,987</u>	<u>\$ 1,096,331</u>	<u>\$ 3,324,318</u>
<u>Accumulated depreciation and impairment</u>			
Balance at January 1, 2022	\$ -	\$ 702,817	\$ 702,817
Reclassifications	-	(15,568)	(15,568)
Depreciation	-	22,968	22,968
Balance at December 31, 2022	<u>\$ -</u>	<u>\$ 710,217</u>	<u>\$ 710,217</u>
Net balance at December 31, 2022	<u>\$ 2,227,987</u>	<u>\$ 386,114</u>	<u>\$ 2,614,101</u>

The investment property is subject to lease terms of 1 to 20 years. All operating lease agreements contain a provision whereby the lessee, in exercising the right to renew the lease, adjusts the rent in accordance with 3% to 5% of the prevailing market rent rate. Lessees do not have the bargain purchase option to acquire the property at the end of the lease term.

The total amount of future lease payments to be collected for investment property on operating lease is as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Year 1	\$ 138,858	\$ 146,074
Year 2	108,769	122,588
Year 3	76,122	92,617
Year 4	54,857	61,027
Year 5	37,365	43,816
Over 5 years	<u>192,556</u>	<u>227,048</u>
	<u>\$ 608,527</u>	<u>\$ 693,170</u>

Depreciation of investment property on a straight-line basis is calculated according to the following useful lives:

Buildings	
Main building of the plant	31 to 50 years
Others	4 to 20 years

The fair value of investment real estate as of the year ended on December 31, 2023 and 2022 by appraiser Zhen-Xing Lin and Yu-Hua Luo from qualified Dawa Real Estate Appraisal

Firm. The comparison method and income approaches were adopted. The comparison method and income approaches were adopted. The fair values of investment properties were as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Fair value	<u>\$ 12,853,429</u>	<u>\$ 10,284,341</u>

The Company held freehold interests in all of its investment properties. Please refer to Note 31 for the amount of investment property pledged as collateral for borrowings.

16. Other Intangible Assets

	<u>Computer Software</u>
<u>Cost</u>	
Balance at January 1, 2023	\$ 6,796
Separate acquisition	3,776
Disposals	(<u>3,343</u>)
Balance at December 31, 2023	<u>\$ 7,229</u>
<u>Accumulated amortization and impairment</u>	
Balance at January 1, 2023	\$ 3,615
Amortization	2,071
Disposals	(<u>3,343</u>)
Balance at December 31, 2023	<u>\$ 2,343</u>
Net balance at December 31, 2023	<u>\$ 4,886</u>
<u>Cost</u>	
Balance at January 1, 2022	\$ 4,713
Separate Acquisition	2,783
Reclassifications	180
Disposals	(<u>880</u>)
Balance at December 31, 2022	<u>\$ 6,796</u>
<u>Accumulated amortization and impairment</u>	
Balance at January 1, 2022	\$ 2,375
Amortization	2,120
Disposals	(<u>880</u>)
Balance at December 31, 2022	<u>\$ 3,615</u>
Net balance at December 31, 2022	<u>\$ 3,181</u>

Amortization expense is calculated on a straight-line basis over the following useful lives:

Computer Software	2 to 3 years
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17. Other Assets

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>Current</u>		
Prepaid expenses	\$ 19,235	\$ 18,832
Prepayments to suppliers	<u>67,561</u>	<u>38,922</u>
	<u>\$ 86,796</u>	<u>\$ 57,754</u>
<u>Other Assets</u>		
Other	<u>\$ 52</u>	<u>\$ 9</u>
<u>Non-current</u>		
Prepayments for equipment	\$ 3,730	\$ 1,390
Refundable deposits	67,688	14,862
Net defined benefit assets (Note 21)	<u>5,976</u>	<u>8,565</u>
	<u>\$ 77,394</u>	<u>\$ 24,817</u>

18. Borrowings

1) Short-term borrowings

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>Secured borrowings</u> (Note 31)		
— Bank borrowings	\$ 2,300,000	\$ 2,860,000
<u>Unsecured borrowings</u>		
Line of credit loans	<u>300,000</u>	<u>150,000</u>
	<u>\$ 2,600,000</u>	<u>\$ 3,010,000</u>

The ranges of interest rates on bank borrowings were 1.7% to 1.73% and 1.55% to 1.68% as of December, 31, 2023 and 2022, respectively.

2) Short-term bills payable

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Commercial paper payable	\$ 100,000	\$ -
Less: Discounts on short-term bills payable	(<u>69</u>)	<u>-</u>
	<u>\$ 99,931</u>	<u>\$ -</u>

The outstanding short-term bills payable as of the balance sheet date are as follows:

December 31, 2023

<u>Guarantor/Accepting Institution</u>	<u>Nominal Amount</u>	<u>Discounted Amount</u>	<u>Carrying amount</u>	<u>Interest Rate</u>	<u>Collateral</u>	<u>Carrying Amount of Collateral</u>
Taiwan Finance Cooperation (I)	<u>\$ 100,000</u>	(<u>\$ 69</u>)	<u>\$ 99,931</u>	1.45%	None	None

December 31, 2022: None.

19. Notes and Accounts Payable

The Company has financial risk management policies to ensure that all payables are paid within the pre-agreed payment terms.

20. Other liabilities

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>Current</u>		
Other payables		
Salaries and bonus payable	\$ 53,439	\$ 62,519
Employee compensation payable	26,977	21,800
Director compensation payable	15,600	21,800
Tax payable	2,699	2,731
Pension payable	2,873	2,453
Electricity and fuels payable	7,889	9,011
Interest payable	1,790	2,366
Services expense payable	1,150	900
Equipment payable	204	1,117
Investment payable	-	1,438
Other	<u>45,170</u>	<u>37,039</u>
	<u>\$ 157,791</u>	<u>\$ 163,174</u>
Other payables - related parties (Note 30)	<u>\$ 2,286</u>	<u>\$ 1,705</u>
Other liabilities		
Receipts under custody	\$ 2,946	\$ 2,603
Temporary credits	<u>220</u>	<u>20,872</u>
	<u>\$ 3,166</u>	<u>\$ 23,475</u>

Deferred revenue is related to the Company's A+ Industrial Innovative R&D program by Ministry of Economic Affairs and was mainly used to establish a research and development center in Taiwan. The purchases of PP&E were recognized as deferred revenue. Changes are as follows:

	<u>2023</u>	<u>2022</u>
Beginning balance	\$ -	\$ 28
Amortization for the period (recognized as deductions to depreciation expense)	<u>-</u>	(<u>28</u>)
Ending balance	<u>\$ -</u>	<u>\$ -</u>

21. Post-employment Benefit Plans

1) Defined contribution plans

The Company adopts a pension plan under the Labor Pension Act, which is a state-managed defined contribution plan. According to the Labor Pension Act, the Company makes monthly contributions to employees' individual pension accounts at 6% of their monthly salaries and wages.

2) Defined benefit plans

The pension system adopted by the Company under the "Labor Standards Act" is a state-managed defined benefit plan. The payment of the employee's pension is based on the period of service and the average salary of six months before the approved retirement date. The Company contributes monthly an amount equal to 2% of the employees' monthly salaries and wages to a retirement fund that is deposited with Bank of Taiwan under the name of The Supervisory Committee of Workers' Retirement Fund. Before the end of year, if the balance at the retirement fund is not sufficient to pay employees who will meet the retirement criteria next year, a lump-sum deposit for the shortfall should be made before the end of March of the following year. The Bureau of Labor Funds, Ministry of Labor administers the account. The Company has no right over its investment and administration strategies.

The amounts of defined benefit plans included in the parent company only balance sheets are as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Present value of defined benefit obligation	\$ 49,244	\$ 44,766
Fair value of plan assets	(<u>55,220</u>)	(<u>53,331</u>)
Net defined benefit assets	(<u>\$ 5,976</u>)	(<u>\$ 8,565</u>)

Changes in net defined benefit assets are as follows:

	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit assets
Balance at January 1, 2022	<u>\$ 48,268</u>	<u>(\$ 51,142)</u>	<u>(\$ 2,874)</u>
Service costs			
Current service costs	137	-	137
Interest expense (income)	<u>302</u>	<u>(323)</u>	<u>(21)</u>
Recognized in profit or loss	<u>439</u>	<u>(323)</u>	<u>116</u>
Remeasurements			
Return on plan assets (excluding amounts that are included in net interest)	-	(3,963)	(3,963)
Actuarial gains: Financial Assumption Changes	(424)	-	(424)
Actuarial gains - experience adjustments	<u>(533)</u>	<u>-</u>	<u>(533)</u>
Recognized in other comprehensive profit and loss	<u>(957)</u>	<u>(3,963)</u>	<u>(4,920)</u>
Contributions from the employer	<u>-</u>	<u>(887)</u>	<u>(887)</u>
Number of plan assets paid	<u>(2,984)</u>	<u>2,984</u>	<u>-</u>
Balance at December 31, 2022	<u>44,766</u>	<u>(53,331)</u>	<u>(8,565)</u>
Service costs			
Current service costs	136	-	136
Pre-service costs	3,147	-	3,147
Interest expense (income)	<u>559</u>	<u>(672)</u>	<u>(113)</u>
Recognized in profit or loss	<u>3,842</u>	<u>(672)</u>	<u>3,170</u>
Remeasurements			
Return on plan assets (excluding amounts that are included in net interest)	-	(477)	(477)
Actuarial losses - changes in financial assumptions	433	-	433
Actuarial losses - experience adjustments	<u>358</u>	<u>-</u>	<u>358</u>
Recognized in other comprehensive profit and loss	<u>791</u>	<u>(477)</u>	<u>314</u>
Contributions from the employer	<u>-</u>	<u>(895)</u>	<u>(895)</u>
Number of plan assets paid	<u>(155)</u>	<u>155</u>	<u>-</u>
Balance at December 31, 2023	<u>\$ 49,244</u>	<u>(\$ 55,220)</u>	<u>(\$ 5,976)</u>

The Company has the following risks owing to the implementation of the pension system under the “Labor Standards Act:”

- a. Investment risks: The Bureau of Labor Funds, Ministry of Labor invests the labor pension fund in domestic (foreign) equity securities, debt securities, and bank deposits at its own discretion or under the mandated management. However, the distributed amount from the plan assets to the Company shall not be lower than interest on a two-year time deposit at a local bank.

- b. Interest rate risk: The decrease in the interest rate of government bonds will increase the present value of defined benefit obligations, but the return on debt investment of plan assets will also increase accordingly, which will partially offset the impact on net defined benefit liabilities.
- c. Salary risk: The present value of defined benefit obligations is calculated with reference to future salaries of plan members. Therefore, the salary increase of plan members will increase the present value of the defined benefit obligation.

The present value of the Company's defined benefit obligations is calculated by certified actuaries and the major assumptions on the assessment date are as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Discount rate	1.125%	1.250%
Expected rate of salary increase	2.750%	2.750%

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

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Discount rate		
Increase by 0.25%	<u>(\$ 859)</u>	<u>(\$ 740)</u>
Decrease by 0.25%	<u>\$ 888</u>	<u>\$ 760</u>
Expected rate of salary increase		
Increase by 0.25%	<u>\$ 860</u>	<u>\$ 736</u>
Decrease by 0.25%	<u>(\$ 837)</u>	<u>(\$ 720)</u>

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

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Expected contributions to the plan within one year	<u>\$ 915</u>	<u>\$ 895</u>
Average duration of defined benefit obligations	8.1 years	6.7 years

22. Equity

1) Share capital

Common shares

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Number of shares authorized (in thousands)	<u>360,000</u>	<u>360,000</u>
Share capital authorized	<u>\$ 3,600,000</u>	<u>\$ 3,600,000</u>
Number of shares issued and fully paid (in thousands)	<u>300,041</u>	<u>300,041</u>
Share capital issued	<u>\$ 3,000,413</u>	<u>\$ 3,000,413</u>

Common stocks issued have a par value of NT\$10. Each share is entitled to one voting right as well as the right to dividends.

2) Capital surplus

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>May not be used for any purpose</u>		
Treasury share transactions	\$ 9,549	\$ 8,344
Dividends not collected before the designated date	<u>3,836</u>	<u>1,666</u>
	<u>\$ 13,385</u>	<u>\$ 10,010</u>

Capital surplus - treasury shares represent dividends received from the holding of the parent company's shares by the 100%-owned subsidiary.

3) Retained Earnings and Dividend Policy

Based on the earnings distribution policy stated in the amended Articles of Association, the annual earnings of the Company, if any, shall be first appropriated to pay taxes and offset accumulated losses before allocating 10% of the remaining earnings to the legal reserve (not applicable where accumulated legal reserve has equaled the Company's paid-in capital). A special reserve is then appropriated or reversed pursuant to applicable laws and regulations. The Board of Director would then prepare earnings distribution proposal based on the remaining balance together with accumulated unappropriated earnings. Where the earnings are distributed in the form of cash, the Board of Directors is authorized to approve the distribution by a resolution approved by a majority vote at a meeting attended by over two-thirds of the Directors and report to the shareholders' meeting. Where they are distributed in the form of stock dividends, the distribution shall be resolved at the shareholders' meeting. For the policies on distribution of compensation to employees and contribution to directors in the Group's

Articles of Incorporation, please refer to Note 24(7) Compensation to employees and remuneration to directors.

The Company shall set aside a legal reserve until its balance equals the Company's paid-in capital. The legal reserve may be used to make up for losses. When the Company has no loss, the portion of the legal reserve exceeding 25% of the total paid-in capital may be appropriated in the form of cash, in addition to being transferred to share capital.

The distribution of earnings for years 2023 and 2022 approved in the shareholders' meetings on May 26, 2022 and June 10, 2021, respectively, was as follows:

	<u>2022</u>	<u>2021</u>
Legal reserve	\$ 206,355	\$ 44,490
Cash dividends	\$ 450,062	\$ 300,041
Earnings per share (NT\$)	\$ 1.50	\$ 1

The Company's distribution of earnings of 2023 was subject to the resolution of Board of Directors and the shareholders' meeting in 2024.

4) Special reserve

	<u>2023</u>	<u>2022</u>
Beginning balance	\$ 1,006,548	\$ 1,006,548
Disposal of investment properties	(192)	-
Ending balance	<u>\$ 1,006,356</u>	<u>\$ 1,006,548</u>

On November 2, 2023, our Company sold land number 679 in Qiaoai District, Taoyuan City. The above transaction was completed on November 23, 2023 with the transfer of ownership. In accordance with IFRS1, the previously recognized portion of special reserve was reversed, resulting in a transfer of NT\$192 thousand from special reserve to retained earnings. In addition, investment property benefits totaling NT\$3,377 thousand were recognized and disposed of.

5) Other Equity Items

Unrealized gains (losses) on financial assets at fair value through other comprehensive profit and loss

	<u>2023</u>	<u>2022</u>
Beginning balance	<u>\$ 4,420,162</u>	<u>\$ 4,458,304</u>
Accrued in the current year		
Unrealized gains (losses)		
Equity instruments	1,119,044	(16,257)
Share of associates		
accounted for using the		
equity method	<u>84,640</u>	<u>(34,243)</u>
Other comprehensive profit and		
loss for the year	<u>1,203,684</u>	<u>(50,500)</u>
Accumulated gains (losses) on		
disposal of equity instruments		
transferred to retained		
earnings	<u>(93,810)</u>	<u>12,358</u>
Ending balance	<u>\$ 5,530,036</u>	<u>\$ 4,420,162</u>

6) Treasury share

<u>Reason for repurchase</u>	<u>Shares of Parent Company Held by Subsidiary (in thousands)</u>
Number of shares on January 1, 2023	<u>804</u>
Number of shares on December 31, 2023	<u>804</u>
Number of shares on January 1, 2022	<u>804</u>
Number of shares on December 31, 2022	<u>804</u>

Information on subsidiaries holding the Company's shares on the balance sheet date is as follows:

December 31, 2023

<u>Name of subsidiary</u>	<u>No. of Shares (in Thousand Shares)</u>	<u>Carrying amount</u>	<u>Market Value</u>
Shinkong Asset			
Management Co., Ltd.	<u>804</u>	<u>\$ 13,174</u>	<u>\$ 38,503</u>

December 31, 2022

<u>Name of subsidiary</u>	<u>No. of Shares (in Thousand Shares)</u>	<u>Carrying amount</u>	<u>Market Value</u>
Shinkong Asset Management Co., Ltd.	<u>804</u>	<u>\$ 13,174</u>	<u>\$ 32,193</u>

Treasury shares held by the Company may be neither pledged nor assigned rights such as dividend distribution and voting rights in accordance with the Securities and Exchange Act. Subsidiaries holding the Company's shares, which are considered treasury shares, are bestowed shareholders' rights, except for the rights to participate in any share issuance for cash and to vote.

23. Revenue

	<u>2023</u>	<u>2022</u>
Revenue from contracts with customers		
Revenue from the sale of goods	\$ 3,002,924	\$ 2,980,355
Rental revenue	157,518	157,222
Other	<u>748</u>	<u>603</u>
	<u>\$ 3,161,190</u>	<u>\$ 3,138,180</u>

1) Details on contracts with customers

The prices of fabrics sold by the textile business unit of the Marketing Department to garment manufacturers and products sold by the Retail Department were fixed by mutual agreements.

For investment properties leased under operating leases by the Real Estate Department, the Company negotiated the lease contracts with reference to market rentals.

2) Contract balance

	<u>December 31, 2023</u>	<u>December 31, 2022</u>	<u>January 1, 2022</u>
Notes receivable (Note 10)	\$ 11,031	\$ 9,915	\$ 29,684
Accounts receivable (Note 10)	<u>422,426</u>	<u>338,299</u>	<u>400,470</u>
	<u>\$ 433,457</u>	<u>\$ 348,214</u>	<u>\$ 430,154</u>
Contract liabilities			
Sale of goods	\$ 13,085	\$ 19,097	\$ 13,307
Rental revenue of investment property	<u>8,972</u>	<u>10,544</u>	<u>12,653</u>
Contract liabilities - current	<u>\$ 22,057</u>	<u>\$ 29,641</u>	<u>\$ 25,960</u>

3) Breakdown of revenue from contracts with customers

	<u>2023</u>	<u>2022</u>
<u>Types of goods or services</u>		
Textile	\$ 2,228,224	\$ 2,223,754
Retail / Garment	<u>774,700</u>	<u>756,601</u>
	<u>\$ 3,002,924</u>	<u>\$ 2,980,355</u>

24. Net income

1) Interest income

	<u>2023</u>	<u>2022</u>
Bank deposits	\$ 14,525	\$ 4,368
Loans to related parties	-	364
Other	<u>83</u>	<u>40</u>
	<u>\$ 14,608</u>	<u>\$ 4,772</u>

2) Other income

	<u>2023</u>	<u>2022</u>
Dividend income	\$ 351,873	\$ 360,509
Other	<u>15,724</u>	<u>1,465</u>
	<u>\$ 367,597</u>	<u>\$ 361,974</u>

3) Other gains and losses

	<u>2023</u>	<u>2022</u>
Gains on financial assets and financial liabilities		
Financial assets designated as at fair value through profit or loss	(\$ 4,739)	(\$ 16,162)
Financial assets mandatorily measured at fair value through profit or loss	27,832	66,318
Gain (loss) on disposal of property, plant and equipment	(25)	14
Gain from disposal of investment properties	3,377	-
Gains on lease modification	-	341
Net foreign exchange gain (losses)	(13,301)	66,356
Other expenses	<u>(14,196)</u>	<u>(4,318)</u>
	<u>(\$ 1,052)</u>	<u>\$ 112,549</u>

4) Finance costs

	<u>2023</u>	<u>2022</u>
Interest on bank borrowings	\$ 46,870	\$ 29,538
Interest on short-term bills	1,941	3,562
Interest on lease liabilities	<u>1,653</u>	<u>1,604</u>
	<u>\$ 50,464</u>	<u>\$ 34,704</u>

5) Depreciation and amortization

	<u>2023</u>	<u>2022</u>
Depreciation expense is summarized by function		
Operating costs	\$ 88,209	\$ 87,846
Operating expenses	<u>51,042</u>	<u>47,688</u>
	<u>\$ 139,251</u>	<u>\$ 135,534</u>
Amortization expense is summarized by function		
Operating costs	\$ 409	\$ 376
Operating expenses	<u>1,662</u>	<u>1,744</u>
	<u>\$ 2,071</u>	<u>\$ 2,120</u>

6) Employee benefit expense

	<u>2023</u>	<u>2022</u>
Post-employment benefits		
Defined contribution plans	\$ 16,297	\$ 16,012
Defined benefit plans (Note 21)	<u>3,170</u>	<u>116</u>
	<u>19,467</u>	<u>16,128</u>
Other employee benefits	<u>483,220</u>	<u>484,553</u>
Total employee benefit expense	<u>\$ 502,687</u>	<u>\$ 500,681</u>
Summarized by functions		
Operating costs	\$ 196,121	\$ 193,820
Operating expenses	<u>306,566</u>	<u>306,861</u>
	<u>\$ 502,687</u>	<u>\$ 500,681</u>

7) Compensation to employees and compensation to directors

According to the Company's Articles of Incorporation, the compensation to employees shall not be lower than 1% and the compensation to directors shall not be higher than 5% of the income before income tax, compensation to employees and compensation to directors. Compensation to employees and compensation to directors for the years of 2023 and 2022 resolved in the Board of Directors meetings on March 8, 2024 and March 9, 2023, respectively, were as follows:

Accrual rate

	<u>2023</u>	<u>2022</u>
Compensation to employees	1.98%	1.00%
Compensation to directors	1.98%	1.00%

Amount

	Cash	
	2023	2022
Compensation to employees	<u>\$ 15,600</u>	<u>\$ 21,800</u>
Compensation to directors	<u>\$ 15,600</u>	<u>\$ 21,800</u>

If the amount changed after the annual parent company only financial statements are authorized for issue, the differences shall be treated as a change in accounting estimates in the following year.

There was no difference between the amounts actually allocated for compensations to employees and directors for 2022 and 2021 and those recognized in the parent company only financial statements for 2022 and 2021.

For information on the compensation to employees and directors of the company, please visit the “Market Observation Post System” of Taiwan Stock Exchange.

8) Net gain (loss) on foreign exchange

	2023	2022
Total foreign exchange gains	<u>\$ 22,231</u>	<u>\$ 80,645</u>
Total foreign exchange (losses)	<u>(35,532)</u>	<u>(14,289)</u>
Net profits (losses)	<u>(\$ 13,301)</u>	<u>\$ 66,356</u>

25. Income tax

1) Income tax recognized in profit or loss

Major components of income tax expenses are as follows:

	2023	2022
Current income tax		
Incurred in this year	\$ 55,371	\$ 45,750
Additional tax levied on the unappropriated earnings	67,467	2,701
Land value increment tax	357	-
Adjustments for previous years	<u>(7,813)</u>	<u>(2,382)</u>
	<u>115,382</u>	<u>46,069</u>
Deferred income tax		
Incurred in this year	<u>(9,044)</u>	<u>11,641</u>
Income tax expense recognized in profit or loss	<u>\$106,338</u>	<u>\$ 57,710</u>

The adjustment of accounting income and income tax expense is as follows:

	<u>2023</u>	<u>2022</u>
Net income before tax	<u>\$ 755,286</u>	<u>\$ 2,128,696</u>
Net income before tax: Income tax expenses calculated at the statutory tax rate	\$ 151,057	\$ 425,739
Non-deductible expense and loss on tax	22	41
Tax-exempted income	(104,752)	(358,256)
Additional tax levied on the unappropriated earnings	67,467	2,701
Unrecognized deductible temporary difference	-	(10,133)
Land value increment tax	357	-
Adjustment of current income tax expense from previous years in the current period	(<u>7,813</u>)	(<u>2,382</u>)
Income tax expense recognized in profit or loss	<u>\$ 106,338</u>	<u>\$ 57,710</u>
2) Income tax recognized in other comprehensive profit and loss		
	<u>2023</u>	<u>2022</u>
<u>Deferred income tax</u>		
Incurred in this year		
— Share of other comprehensive profit and loss of associates accounted for using the equity method	<u>\$ 378</u>	(<u>\$ 1,343</u>)
3) Current income tax assets and liabilities		
	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Current tax liabilities		
Income tax payable	<u>\$ 131,492</u>	<u>\$ 45,164</u>

4) Deferred income tax assets and liabilities

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

2023

	Beginning balance	Recognized in profit or loss	Recognized in other comprehensive profit and loss	Ending balance
<u>Deferred tax assets</u>				
Temporary differences				
Loss on inventory write-down	\$ 29,126	\$ 4,532	\$ -	\$ 33,658
Difference on unrealized foreign exchange gain (loss)	-	2,154	-	2,154
Exchange differences on translating the financial statements of foreign operations	564	-	378	942
Other	<u>1</u>	<u>-</u>	<u>-</u>	<u>1</u>
	<u>\$ 29,691</u>	<u>\$ 6,686</u>	<u>\$ 378</u>	<u>\$ 36,755</u>
<u>Deferred tax liabilities</u>				
Temporary differences				
Defined benefit retirement plans	\$ 2,873	(\$ 455)	\$ -	\$ 2,418
Gains (losses) on foreign investments accounted for using the equity method	2,673	(894)	-	1,779
Profit and loss through profit and loss on financial assets at fair value	12,842	968	-	13,810
Difference on unrealized foreign exchange gain (loss)	1,977	(1,977)	-	-
Land value increment tax	<u>513,536</u>	<u>-</u>	<u>-</u>	<u>513,536</u>
	<u>\$ 533,901</u>	<u>(\$ 2,358)</u>	<u>\$ -</u>	<u>\$ 531,543</u>

2022

	Beginning balance	Recognized in profit or loss	Recognized in other comprehensive profit and loss	Ending balance
<u>Deferred tax assets</u>				
Temporary differences				
Loss on inventory write-down	\$ 25,321	\$ 3,805	\$ -	\$ 29,126
Difference on unrealized foreign exchange gain (loss)	1,373	(1,373)	-	-
Exchange differences on translating the financial statements of foreign operations	1,907	-	(1,343)	564
Other	<u>1</u>	<u>-</u>	<u>-</u>	<u>1</u>
	<u>\$ 28,602</u>	<u>\$ 2,432</u>	<u>(\$ 1,343)</u>	<u>\$ 29,691</u>
<u>Deferred tax liabilities</u>				
Temporary differences				
Defined benefit retirement plans	\$ 2,719	\$ 154	\$ -	\$ 2,873
Gains (losses) on foreign investments accounted for using the equity method	3,573	(900)	-	2,673
Profit and loss through profit and loss on financial assets at fair value	-	12,842	-	12,842
Difference on unrealized foreign exchange gain (loss)	-	1,977	-	1,977
Land value increment tax	<u>513,536</u>	<u>-</u>	<u>-</u>	<u>513,536</u>
	<u>\$ 519,828</u>	<u>\$ 14,073</u>	<u>\$ -</u>	<u>\$ 533,901</u>

Land revaluation of the Company's freehold land was carried out at the assessed present value in July 1981 and November 2000, respectively, and the provision for land value increment tax of NT\$513,536 thousand (under deferred income tax liabilities) was recognized as of December 31, 2023 and 2022.

- 5) Deductible temporary difference for which no Deferred income tax assets have been recognized in the parent company only balance sheets

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Deductible temporary difference		
Impairment loss	<u>\$ 7,187</u>	<u>\$ 7,187</u>

6) Income tax assessment

The business income tax returns of the Company through 2020 have been assessed by the tax authorities.

Pursuant to Article 40 of the Business Mergers and Acquisitions Act, the Company chooses the company as the taxpayer to handle the income tax settlement declaration of profit-making enterprise and the income tax declaration of the undistributed surplus with the individual Shinkong Asset Management Co., Ltd, which holds 100% equity.

26. Earnings per Share (EPS)

	Unit: NT\$ per Share	
	2023	2022
Basic EPS	<u>\$ 2.17</u>	<u>\$ 6.92</u>
Diluted EPS	<u>\$ 2.17</u>	<u>\$ 6.91</u>

Net income and weighted average number of common stocks used for the calculation of EPS are as follows:

Net income

	2023	2022
Net income for basic EPS	<u>\$ 648,948</u>	<u>\$ 2,070,986</u>
Net income for the calculation of diluted EPS	<u>\$ 648,948</u>	<u>\$ 2,070,986</u>

Number of shares

	Unit: In Thousands of Shares	
	2023	2022
Weighted average number of common shares used for calculation of basic earnings per share	299,237	299,237
Effect of potentially dilutive common shares: Compensation to employees	<u>421</u>	<u>594</u>
Weighted average number of common shares used for calculation of diluted earnings per share	<u>299,658</u>	<u>299,831</u>

If the Company may choose to offer employee compensation in the form of cash or stock, while calculating the diluted earnings per share, it shall assume the compensation is to be paid in the form of stock, and include the potentially dilutive common shares in the weighted average number of outstanding shares for the calculation of diluted earnings per share. The

dilutive effect of such potential common shares shall continue to be considered when calculating the diluted earnings per share before the number of shares to be distributed as employee compensation is approved in the following year.

27. Cash Flow Information

1) Non-cash transactions

Besides disclosures in other notes, the Company engaged in the following non-cash investing activities for the years of 2023 and 2022:

- a. The Company reclassified prepayments for equipment of NT\$1,285 thousand and NT\$29,045 thousand to PP&E for the years of 2023 and 2022, respectively (please refer to Note 13 for details);
- b. The Company reclassified material expenses of NT\$434 thousand to PP&E for the year of 2023.
- c. The Company reclassified financial assets measured at fair value through other comprehensive income of NT\$531,508 thousand to investments accounted for using the equity method in 2023 (please refer to Note 12 for details).
- d. The Company reclassified prepaid expenses of NT\$ 109 thousand and NT\$2,169 to PP&E for the year of 2023 and 2022. (please refer to Note 13 for details)
- e. The Company reclassified construction in process of NT\$29 thousand to miscellaneous purchases in 2022 (please refer to Note 13 for details)
- f. The Company reclassified prepaid expenses of NT\$180 thousand to intangible assets for the year of 2022 (please refer to Note 16 for details);
- g. The Company reclassified investment prepayments of NT\$100,000 thousand to financial assets at fair value through other comprehensive profit and loss in 2022 (please refer to Note 8 for details)

2) Changes in liabilities from financing activities

2023

	January 1, 2023	Cash Flows	Additional Leases	Interest Expenses	Non-cash Changes			Number of Interest Paid	December 31, 2023
					Remeasurement on Lease Modifications	Remeasurement on Termination	Other		
Lease liabilities (Note 14)	<u>\$177,145</u>	<u>(\$ 43,647)</u>	<u>\$ 16,081</u>	<u>\$ 1,653</u>	<u>\$ 2,928</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(\$ 1,653)</u>	<u>\$152,507</u>

2022

	January 1, 2022	Cash Flows	Additional Leases	Interest Expenses	Non-cash Changes			Number of Interest Paid	December 31, 2022
					Remeasurement on Lease Modifications	Remeasurement on Termination	Other		
Lease liabilities (Note 14)	<u>\$151,096</u>	<u>(\$ 42,386)</u>	<u>\$ 80,840</u>	<u>\$ 1,604</u>	<u>(\$ 325)</u>	<u>(\$ 12,018)</u>	<u>(\$ 62)</u>	<u>(\$ 1,604)</u>	<u>\$177,145</u>

28. Capital Risk Management

The Company carries out capital management to ensure that entities within the Company will be able to continue as a going concern while maximizing the return to shareholders through the optimization of the debt and equity balance.

The Company's capital structure consists of net debts (i.e., borrowings less cash and cash equivalents) and equity (i.e., share capital, capital surplus, retained earnings, and other equity item).

The Company is not subject to any other external capital requirements.

The Company's key management reassesses the capital structure quarterly. The review includes assessment of various costs of capital and related risks. According to the key management's recommendations, the Company balances its overall capital structure through the payment of dividends, issuance of shares, repurchase of shares, issuance of new debts, repayment of old debts, etc.

29. Financial instruments

1) Information on fair value - financial instruments not measured at fair value

The Company's management thinks that the carrying amounts of financial assets not at fair value are close to their fair values due to short maturity terms or a future consideration receivable/payable approximating the carrying amount.

2) Information on fair value - financial instruments measured at fair value on a recurring basis

a. Fair value hierarchy

December 31, 2023

	Level 1	Level 2	Level 3	Total
<u>Financial assets at fair value</u> <u>through other comprehensive</u> <u>income</u>				
Domestic stocks listed on TWSE or TPEX or emerging stocks	\$ 23,960	\$ -	\$ -	\$ 23,960
Fund beneficiary certificates	427,233	-	-	427,233
Total	<u>\$ 451,193</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 451,193</u>
<u>Financial assets at fair value</u> <u>through other comprehensive</u> <u>income</u>				
Investments in equity instruments				
— Domestic stocks listed on TWSE or TPEX or emerging stocks	\$ 5,055,146	\$ -	\$ -	\$ 5,055,146
— Domestic stocks unlisted on TWSE or TPEX or emerging stocks	-	-	2,089,260	2,089,260
Total	<u>\$ 5,055,146</u>	<u>\$ -</u>	<u>\$ 2,089,260</u>	<u>\$ 7,144,406</u>

December 31, 2022

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Financial assets at fair value</u> <u>through other comprehensive</u> <u>income</u>				
Domestic stocks listed on TWSE or TPEx or emerging stocks	\$ 28,698	\$ -	\$ -	\$ 28,698
Fund beneficiary certificates	<u>530,422</u>	<u>-</u>	<u>-</u>	<u>530,422</u>
Total	<u>\$ 559,120</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 559,120</u>
<u>Financial assets at fair value</u> <u>through other comprehensive</u> <u>income</u>				
Investments in equity instruments				
— Domestic stocks listed on TWSE or TPEx or emerging stocks	\$ 4,590,336	\$ -	\$ -	\$ 4,590,336
— Domestic stocks unlisted on TWSE or TPEx or emerging stocks	<u>-</u>	<u>-</u>	<u>1,888,997</u>	<u>1,888,997</u>
Total	<u>\$ 4,590,336</u>	<u>\$ -</u>	<u>\$ 1,888,997</u>	<u>\$ 6,479,333</u>

There was no transfer between Level 1 and Level 2 fair value measurements in 2023 and 2022.

b. Reconciliation of Level 3 fair value measurement of financial instruments

2023

	<u>Financial assets at fair value through other comprehensive income</u>
<u>Financial assets</u>	<u>Equity instruments</u>
Beginning balance	\$ 1,888,997
Recognized in other comprehensive profit and loss (unrealized gains (losses) on financial assets at fair value through other comprehensive profit and loss)	124,005
Addition	100,000
Disposals	(22,762)
Liquidation	(980)
Ending balance	<u>\$ 2,089,260</u>

2022

	Financial assets at fair value through other comprehensive income
Financial assets	Equity instruments
Beginning balance	\$ 1,672,275
Recognized in other comprehensive profit and loss (unrealized gains (losses) on financial assets at fair value through other comprehensive profit and loss)	117,047
Reclassifications	100,000
Liquidation	(325)
Ending balance	<u>\$ 1,888,997</u>

c. Valuation techniques and inputs of Level 3 fair value measurement

The fair value of investments in unlisted stocks with no active market is estimated using the market approach.

The market approach estimates the fair value with reference to valuation multiples of comparable companies using a liquidity discount rate. The material unobservable inputs used are with liquidity discount rates of 10% to 30%.

3) Category of financial instruments

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>Financial assets</u>		
Measured at fair value through profit or loss		
Mandatorily measured at fair value through profit or loss	\$ 427,233	\$ 530,422
Designated as at fair value through profit or loss	23,960	28,698
Financial assets at amortized cost (Note 1)	1,491,283	1,045,091
Financial assets at fair value through other comprehensive income		
Investments in equity instruments	7,144,406	6,479,333
<u>Financial liabilities</u>		
Measured at amortized cost (Note 2)	3,241,522	3,584,795

Note1: The balance includes financial assets at amortized costs such as cash and cash equivalents, notes and accounts receivable, other receivables, financial assets at amortized cost, other financial assets, and refundable deposits.

Note2: The balance includes financial liabilities at amortized costs such as short-term borrowings, short-term bills payable, notes and accounts payable, other payables, long-term borrowings, and guarantee deposits received.

4) Financial risk management objectives and policies

Major financial instruments of the Company include cash and cash equivalents, financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive profit and loss, accounts receivable, short-term borrowing, short-term bills payable and accounts payable. The financial management department of the Company provides services for the business units, coordinates access to the domestic and overseas financial market, and supervises and manages financial risks related to the operation of the Company through internal risk reports which analyze risk exposures by the degree and magnitude of risks. Such risks include market risk (including foreign exchange risk, interest rate risk, and other price risk), credit risk, and liquidity risk.

Risk exposure in relation to the Company's financial instruments and its management and measurement approaches remain unchanged.

a. Market risk

The Company's business activities exposed itself primarily to the financial risks of foreign exchange risk (refer to (1) below), interest rate risk (refer to (2) below) and other price risk (refer to (3) below):

a) Foreign exchange risk

The Company undertakes product sales and purchases in foreign currencies; thus, it is exposed to risks of exchange rate fluctuations. Approximately 40% to 45% of the sales and 20% to 25% of the costs are denominated in currencies other than the functional currency in the Company. The Company manages its exposure to foreign exchange risk by dynamically adjusting the overall position of assets and liabilities denominated in currencies other than the functional currency in calculating its foreign exchange risk.

For the carrying amount of the Company's monetary assets and liabilities denominated in currencies other than the functional currency on the balance sheet date, please refer to Note 33.

Sensitivity analysis

The Company is mainly exposed to U.S. dollar fluctuations.

The following table details the Company's sensitivity to a 1% increase and decrease in New Taiwan dollars (the functional currency) against the U.S. dollar. The 1% sensitivity rate is used for Company's internal reporting of foreign exchange risk to key management and it also represents management's assessment of the reasonably possible changes in exchange rates. The sensitivity analysis included only outstanding monetary items denominated in foreign currencies, and the translation of these items at the end of the year was adjusted for a 1% change in exchange rates. A positive number below indicates an increase in net income for a 1% depreciation of New Taiwan dollars % against U.S. dollars. A 1% appreciation of New Taiwan dollars against U.S. dollars will have an equal but opposite impact on net income.

Unit: In Thousands of New Taiwan Dollars

	Impact of USD	
	2023	2022
Profit or loss	\$ 10,335 (i)	\$ 7,798 (i)

- (i) The amount was mainly from the Company's receivables and payables denominated in U.S. dollars that were outstanding as of the balance sheet date and were not covered by cash flow hedges.

The increase in the sensitivity to exchange rate of the Company in the year was mainly due to an increase in sales denominated in U.S. dollars which resulted in an increased balance of accounts receivables denominated in U.S. dollars.

b) Interest rate risk

The Company was exposed to interest rate risk because entities within the Company borrowed funds at both fixed and floating interest rates. The Company does not engage in interest rate hedging instruments at present. The management constantly monitors interest rate exposure and will adopt necessary measures to manage the risk arising from significant changes in market interest rates shall the need arises.

The carrying amounts of the Company's financial assets and financial liabilities exposed to interest rate risk on the balance sheet date are as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Fair value interest rate risk		
—Financial assets	<u>\$ 205,834</u>	<u>\$ 189,438</u>
—Financial liabilities	<u>\$ 157,251</u>	<u>\$ 177,145</u>
Cash flow interest rate risk		
—Financial assets	<u>\$ 757,321</u>	<u>\$ 475,170</u>
—Financial liabilities	<u>\$ 2,700,000</u>	<u>\$ 3,010,000</u>

The Company is exposed to cash flow interest rate risk for bank borrowings at floating interest rate. The situation is in compliance with the Company's policy to keep its borrowings at floating interest rates in order to minimize the fair value interest rate risk. The Company's cash flow interest rate risk is mainly caused by the fluctuation of benchmark interest rate in relation to the borrowings denominated in foreign currencies.

Sensitivity analysis

The sensitivity analysis below is prepared based on the risk exposure of non-derivative instruments to the interest rates on the balance sheet date. For liabilities at floating interest rates, the analysis assumes they are outstanding throughout the reporting period if they are outstanding on the balance sheet date. The 1% change in interest rate is used for internal reporting on interest rate to key management and it also represents management's assessment of the reasonably possible changes in interest rates.

If the interest rate increased/decreased by 1%, the Company's net income would increase/decrease by NT\$15,541 thousand and NT\$20,279 thousand for the years of 2023 and 2022, respectively. This was mainly due to the Company's interest rate exposure from borrowings at floating interest rates.

The increase in the sensitivity to interest rate of the Company in the year was mainly due to an increase in borrowings at floating interest rates.

c) Other Price Risk

The Company is exposed to equity price risk due to its investments in equity securities. Equity price risk mostly comes from investments in financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive profit and loss (mainly investments in fund beneficial certificates and listed stocks in Taiwan.) The Company's management maintains a portfolio of investments with different risks for risk

management purpose. Also, investments in equity instruments are all subject to the approval of the management.

Sensitivity analysis

The sensitivity analysis below is carried out based on the exposure to equity price risk on the balance sheet date.

For the years of 2023 and 2022, if the equity price increased/decreased by 1%, the profit or loss after tax would increase/decrease by NT\$240 thousand and NT\$287 thousand, respectively, due to the increase/decrease in fair value of financial assets at fair value through profit or loss and the other comprehensive profit and loss after tax would increase/decrease by NT\$71,444 thousand and NT\$64,793 thousand, respectively, due to the increase/decrease in the fair value of financial assets at fair value through other comprehensive profit and loss.

b. Credit risk

Credit risk refers to the risk that counterparties will default on its contractual obligations, resulting in a financial loss to the Company. As of the balance sheet date, the Company's maximum exposure to credit risk due to financial losses from counterparty's unfulfillment of obligations and financial guarantees provided by the Company (i.e., the maximum irrevocable exposure excluding collaterals or other credit enhancement tools) was the carrying amounts of financial assets recognized in the parent company only balance sheets.

As the Company has a broad customer base and customer are unrelated to each other, the concentration of credit risk is low.

c. Liquidity risk

The Company maintains a level of cash and cash equivalents deemed adequate to finance the Company's operations and mitigate the effects of cash flow fluctuations. The Company's management supervises the use of credit lines and ensures the compliance with the terms of the loan contracts.

Bank borrowings are a major source of liquidity for the Company. Please refer to (2) Line of credit below for unused credit facilities of the Company.

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

The maturity profile of the Company's non-derivative financial liabilities is prepared based on the earliest repayment dates and contractual undiscounted cash flows. Thus, the Company's bank borrowings subject to repayments on

demand are included in the earliest time intervals regardless of the probability of the banks choosing to exercise their rights immediately. The maturity analysis of other non-derivative financial liabilities is based on the agreed repayment dates.

December 31, 2023

	Effective Interest Rate (%)	Less than 1 Month	1 - 3 Months	3 Months - 1 Year	1 - 5 Years	Over 5 years
Lease liabilities	0.9~1.725	\$ 4,061	\$ 8,121	\$ 33,870	\$ 109,525	\$ -
Short-term borrowings	1.7~1.73	880,000	1,720,000	-	-	-
Short-term bills payable	1.45	99,931	-	-	-	-
		<u>\$ 983,992</u>	<u>\$ 1,728,121</u>	<u>\$ 33,870</u>	<u>\$ 109,525</u>	<u>\$ -</u>

Further information on the maturity analysis of lease liabilities is listed as follows:

	Less than 1 Year	1 - 5 Years	5 -10 Years	10 - 15 Years	Over 15 - 20 Years	20 Years and Above
Lease liabilities	<u>\$ 46,052</u>	<u>\$ 109,525</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

December 31, 2022

	Effective Interest Rate (%)	Less than 1 Month	1 - 3 Months	3 Months - 1 Year	1 - 5 Years	Over 5 years
Lease liabilities	0.9~1.457	\$ 3,892	\$ 7,509	\$ 32,773	\$ 137,066	\$ -
Short-term borrowings	1.55~1.68	610,000	2,400,000	-	-	-
		<u>\$ 613,892</u>	<u>\$ 2,407,509</u>	<u>\$ 32,773</u>	<u>\$ 137,066</u>	<u>\$ -</u>

Further information on the maturity analysis of lease liabilities is listed as follows:

	Less than 1 Year	1 - 5 Years	5 -10 Years	10 - 15 Years	Over 15 - 20 Years	20 Years and Above
Lease liabilities	<u>\$ 44,174</u>	<u>\$ 137,066</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The above amounts of non-derivative financial liabilities with floating interest rates are subject to changes due to differences between the floating interest rates and the interest rates estimated as of the balance sheet date.

b) Line of credit

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Credit facilities		
—Amount used	\$ 2,600,000	\$ 3,010,000
—Unused amount	<u>3,560,000</u>	<u>2,100,000</u>
	<u>\$ 6,160,000</u>	<u>\$ 5,110,000</u>
Credit from commercial papers		
—Amount used	\$ 100,000	\$ -
—Unused amount	<u>1,250,000</u>	<u>1,350,000</u>
	<u>\$ 1,350,000</u>	<u>\$ 1,350,000</u>

30. Related Party Transactions

Besides disclosures in other notes, the Company engaged in the following transactions with other related parties:

1) Names and relations of related parties

<u>Name of Related Party</u>	<u>Relationship with the Company</u>
Shinkong Asset Management Co., Ltd.	Subsidiaries
Xin Fu Development Co., Ltd.	Subsidiaries
SK INNOVATION CO., LTD	Subsidiaries
Hua Yang Motor Co., Ltd.	Subsidiaries
Shanghai Xin Ying Trading Co., Ltd.	Subsidiaries
One Full Co., Ltd.	Subsidiaries
WPI-HIGH STREET. LLC	Associates
Shang De Motor Co., Ltd.	Associates
Lian Quan Investment Co., Ltd.	Associates
Chyang Sheng Dyeing & Finishing Co., Ltd.	Associates (related party in substance prior to August, 2023)
Shin Kong Life Insurance Co., Ltd.	Related party in substance
Taishin International Bank Co., Ltd.	Related party in substance
Shin Kong Wu Ho-Su Memorial Hospital under Shin Kong Medical Foundation	Related party in substance
Shin Kong Investment Trust Co., Ltd.	Related party in substance
TAIWAN SHIN KONG COMMERCIAL BANK CO., LTD.	Related party in substance
The Great Taipei Gas Corporation	Related party in substance
UBright Optonics Corp.	Related party in substance
Taishin D.A. Finance Co., Ltd.	Related party in substance
Taiwan Security Co., Ltd.	Related party in substance
Taiwan Shin Kong Security Co., Ltd.	Related party in substance
Waibel Enterprise Inc.	Related party in substance
Shinkong Mitsukoshi Department Store Co., Ltd.	Related party in substance
Shinkong Synthetic Fibers Corporation	Related party in substance

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Name of Related Party	Relationship with the Company
Shinkong Insurance Co., Ltd.	Related party in substance
Shinkong Materials Technology Co., Ltd.	Related party in substance
Shin-Kong Life Real Estate Service Co., Ltd.	Related party in substance
Chengcheng Group Co., Ltd.	Related party in substance
Cheng Qian Co., Ltd.	Related party in substance
ShinKong Co., Ltd.	Related party in substance
Yi Kong Security Co., Ltd.	Related party in substance
Yi Guang International Apartments Maintenance and Management Co., Ltd.	Related party in substance
Shin Kong Recreation Co., Ltd.	Related party in substance
Pan Asian Plastics Corp.	Related party in substance
Taipei Star Bank Co., Ltd.	Related party in substance
Taishin Financial Holding Co., Ltd.	Related party in substance
Shin Kong Education Foundation	Related party in substance
Si Si Co., Ltd.	Related party in substance
Shin-Kong Communication Co., Ltd.	Related party in substance
Taishin Securities Co., Ltd.	Related party in substance

2) Operating revenue

Financial Statement Account	Type/Name of Related Party	2023	2022
Sales revenue	Shinkong Mitsukoshi Department Store Co., Ltd.	\$ 303,951	\$ 256,533
	Shinkong Insurance Co., Ltd.	7,301	15,258
	Subsidiaries	-	4,224
	Related party in substance	<u>12,821</u>	<u>17,912</u>
		<u>\$ 324,073</u>	<u>\$ 293,927</u>
Rental revenue	UBright Optronics Corp.	\$ 22,195	\$ 21,425
	Taishin International Bank Co., Ltd.	27,111	26,892
	Related party in substance	<u>9,929</u>	<u>9,827</u>
		<u>\$ 59,235</u>	<u>\$ 58,144</u>

The Company's transaction terms for sales to related parties above are not significantly different from those of the unrelated parties.

Rents from the Company and related parties above are negotiated and agreed by parties involved and paid by notes from related parties on a monthly basis.

3) Purchases

Financial Statement Account	Type/Name of Related Party	2023	2022
Purchases	Chyang Sheng Dyeing & Finishing Co., Ltd.	\$ 112,628	\$ 156,826
	Shinkong Synthetic Fibers Corporation	41,827	37,084
	Subsidiaries	470	-
		<u>\$ 154,925</u>	<u>\$ 193,910</u>

The Company's transaction terms for purchases from related parties above are not significantly different from those of the unrelated parties.

4) Contract Liabilities

Type of Related Party	December 31, 2023	December 31, 2022
Related party in substance	<u>\$ 5,833</u>	<u>\$ 6,061</u>

The contract liabilities above include advance receipts for sales of goods and leasing of investment properties.

5) Receivables from related parties (excluding loans and contract assets to related parties)

Financial Statement Account	Type of Related Party	December 31, 2023	December 31, 2022
Notes receivable	Related party in substance	<u>\$ 7</u>	<u>\$ 8</u>
Accounts receivable	Shinkong Mitsukoshi Department Store Co., Ltd.	\$ 60,837	\$ 44,831
	Subsidiaries	94	1,386
	Related party in substance	2,344	1,854
		<u>\$ 63,275</u>	<u>\$ 48,071</u>
Other receivables	Shinkong Asset Management Co., Ltd.	\$ 11,584	\$ 806
	Subsidiaries	6	-
	Related party in substance	-	13
		<u>\$ 11,590</u>	<u>\$ 819</u>

No guarantee is required for the outstanding amount of receivables from related parties. No loss allowances were set aside for receivables from related parties for the years of 2023 and 2022.

6) Payables to related parties (excluding borrowings from related parties)

Financial Statement Account	Type of Related Party	December 31, 2023	December 31, 2022
Notes payable	Chyang Sheng Dyeing & Finishing Co., Ltd.	\$ 38,884	\$ 36,204
	Related party in substance	<u>276</u>	<u>56</u>
		<u>\$ 39,160</u>	<u>\$ 36,260</u>
Accounts payable	Related party in substance	\$ 7,973	\$ 755
	Chyang Sheng Dyeing & Finishing Co., Ltd.	2,366	5,857
	Subsidiaries	<u>44</u>	<u>-</u>
		<u>\$ 10,383</u>	<u>\$ 6,612</u>
Other payables	Related party in substance	<u>\$ 2,286</u>	<u>\$ 1,705</u>

No collateral is provided for the outstanding amount of payables to related parties.

7) Prepayments

Type of Related Party	December 31, 2023	December 31, 2022
Related party in substance	<u>\$ 372</u>	<u>\$ 170</u>

8) Lease in agreements

Financial Statement Account	Type of Related Party	December 31, 2023	December 31, 2022
Lease liabilities	Chyang Sheng Dyeing & Finishing Co., Ltd.	<u>\$ 43,842</u>	<u>\$ 56,157</u>

Type/Name of Related Party	2023	2022
<u>Interest Expenses</u>		
Chyang Sheng Dyeing & Finishing Co., Ltd.	\$ 520	\$ 373
Shin Kong Life Insurance Co., Ltd.	<u>-</u>	<u>10</u>
	<u>\$ 520</u>	<u>\$ 383</u>

Rents are negotiated between the Company and each of the above related party, and fixed rental payments are made monthly according to the lease agreements.

9) Lease out agreements

Operating lease

The total amount of future lease payments to be collected is as follows:

Type/Name of Related Party	December 31, 2023	December 31, 2022
UBright Optronics Corp.	\$ 73,953	\$ 59,236
Taishin International Bank Co., Ltd.	56,436	83,548
Shin-Kong Life Real Estate Service Co., Ltd.	14,376	16,644
Related party in substance	<u>5,744</u>	<u>13,304</u>
	<u>\$ 150,509</u>	<u>\$ 172,732</u>

Please refer to Note 30 (2) Operating Revenue for information on rental revenue.

10) Acquired other assets

Type/Name of Related Party	Financial Statement Account	Price	
		2023	2022
Chyang Sheng Dyeing & Finishing Co., Ltd.	Right-of-use assets - buildings	\$ -	\$ 63,281

11) Disposal of other Assets

Type/Name of Related Party	Financial Statement Account	Disposal of the price		Gains (Losses) on Disposal	
		2023	2022	2023	2022
Shin Kong Life Insurance Co., Ltd.	Right-of-use assets - buildings	\$ -	\$ 11,739	\$ -	\$ 279

12) Acquisition of financial assets

2023

Name of Related Party	Financial Statement Account	No. of Unit	Unit: In Thousands of Shares	
			Underlying Securities	Price
Chyang Sheng Dyeing & Finishing Co., Ltd.	Financial assets at fair value through other comprehensive profit and loss - current	552	Chyang Sheng Dyeing & Finishing Co., Ltd. - common stocks	\$ 8,411

2022

Unit: In Thousands of Shares				
Name of Related Party	Financial Statement Account	No. of Unit	Underlying Securities	Price
Chyang Sheng Dyeing & Finishing Co., Ltd.	Financial assets at fair value through other comprehensive profit and loss - current	2,308	Chyang Sheng Dyeing & Finishing Co., Ltd. - common stocks	\$ 32,159
Shin Kong Investment Trust Co., Ltd.	Financial assets at fair value through profit or loss - current	1,000	Shin Kong Taiwan High Dividend Fund	10,000
				<u>\$ 42,159</u>

13) Disposal of financial assets

2022

Unit: In Thousands of Shares					
Name of Related Party	Financial Statement Account	No. of stock exchange	Underlying Securities	Disposal of the price	Gains (Losses) on Disposal
Shin Kong Investment Trust Co., Ltd.	Financial assets at fair value through profit or loss - current	5,126	Shin Kong Chi-Shin Money-market Fund	<u>\$ 80,018</u>	<u>\$ 18</u>

14) Loans to related parties

Interest income

Type/Name of Related Party	2023	2022
Xin Fu Development Co., Ltd.	<u>\$ -</u>	<u>\$ 364</u>

15) Endorsements and guarantees

Endorsements and guarantees provided to others

Type/Name of Related Party	December 31, 2023	December 31, 2022
Shang De Motor Co., Ltd.		
Guarantee Amount	<u>\$ 72,360</u>	<u>\$ 72,360</u>
Amount Actually Drawn	<u>\$ 72,360</u>	<u>\$ 72,360</u>

Endorsements and guarantees received

<u>Type/Name of Related Party</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Shinkong Asset Management Co., Ltd.		
Guaranteed Amount	<u>\$ 1,800,000</u>	<u>\$ 1,350,000</u>
Amount Actually Drawn (recognized as secured bank borrowings)	<u>\$ 1,800,000</u>	<u>\$ 1,350,000</u>
Hua Yang Motor Co., Ltd.		
Guaranteed Amount	<u>\$ 810,000</u>	<u>\$ 710,000</u>
Amount Actually Drawn (recognized as secured bank borrowings)	<u>\$ 810,000</u>	<u>\$ 710,000</u>

16) Other

<u>Financial Statement Account</u>	<u>Type of Related Party</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Cash and cash equivalent	TAIWAN SHIN KONG COMMERCIAL BANK CO., LTD.	\$ 158,389	\$ 123,520
	Taishin International Bank Co., Ltd.	91,533	67,301
	Related party in substance	<u>78</u>	<u>78</u>
		<u>\$ 250,000</u>	<u>\$ 190,899</u>
Refundable deposits	Chyang Sheng Dyeing & Finishing Co., Ltd.	\$ 3,874	\$ 3,409
	Shin Kong Wu Ho-Su Memorial Hospital under Shin Kong Medical Foundation	<u>20</u>	<u>20</u>
		<u>\$ 3,894</u>	<u>\$ 3,429</u>
Guarantee deposits received	UBright Optronics Corp.	\$ 4,010	\$ 4,010
	Taishin International Bank Co., Ltd.	5,813	5,813
	Related party in substance	<u>1,167</u>	<u>1,190</u>
		<u>\$ 10,990</u>	<u>\$ 11,013</u>
Financial assets at amortized cost	TAIWAN SHIN KONG COMMERCIAL BANK CO., LTD.	<u>\$ 12,700</u>	<u>\$ 1,800</u>
Operating expenses	Related party in substance	<u>\$ 21,508</u>	<u>\$ 22,687</u>
Non-operating income	Shang De Motor Co., Ltd.	\$ 603	\$ 358
	Related party in substance	<u>802</u>	<u>208</u>
		<u>\$ 1,405</u>	<u>\$ 566</u>
Non-operating expenses	Related party in substance	<u>\$ 8</u>	<u>\$ 4</u>

The Company provided shares as collateral to secure financing facilities from related parties. Details are as follows:

Name of Related Party	Details	December 31, 2023	December 31, 2022
TAIWAN SHIN KONG COMMERCIAL BANK CO., LTD.	Shares of Shinkong Insurance Co., Ltd.	10,000 thousand shares	10,000 thousand shares
Taishin International Bank Co., Ltd.	Shares of Shinkong Insurance Co., Ltd.	10,000 thousand shares	10,000 thousand shares

17) Remuneration to key management

	2023	2022
Short-term employee benefits	\$ 17,215	\$ 17,644
Post-employment benefits	438	464
	<u>\$ 17,653</u>	<u>\$ 18,108</u>

Remuneration to director and key management is determined by the Remuneration Committee based on personal performances and market trends.

31. Pledged Assets

The following assets have been provided as collateral for borrowings:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Financial assets at fair value through other comprehensive profit and loss - non-current	\$ 2,517,520	\$ 2,051,880
Investment properties	1,833,077	1,847,689
Pledged time deposits (recognized as financial assets at amortized cost)	<u>12,700</u>	<u>1,800</u>
	<u>\$ 4,363,297</u>	<u>\$ 3,901,369</u>

32. Significant Contingent Liabilities and Unrecognized Contract Commitments

Besides disclosures in other notes, the Company's significant commitments and contingencies on the balance sheet dates were as follows:

Significant commitments

As of December 31, 2023 and 2022, the guaranteed notes submitted by the Company for import credits and other businesses amounted to NT\$5,682 thousand and NT\$28,851 thousand, respectively.

The Company intends to acquire CWRE Special Situations Fund and will make installment payments totaling up to US\$10,000 thousand starting in 2024.

33. Information on Foreign Currency-denominated Assets and Liabilities of Significant Influence

The following information is aggregated by foreign currencies other than the Company's functional currency and the exchange rates used to translate foreign currencies into the functional currency are disclosed. Foreign currency-denominated assets and liabilities of significant influence are as follows:

December 31, 2023

	<u>Foreign Currency</u>	<u>Exchange Rate</u>	<u>Carrying amount</u>
<u>Assets denominated in foreign currency</u>			
<u>Monetary items</u>			
US\$	\$ 42,191	30.705	\$1,295,461
EU\$	317	33.98	10,763
BP\$	94	39.15	3,698
<u>Non-monetary items</u>			
Subsidiaries, associates and joint ventures accounted for using the equity method			
RMB	857	4.327	3,708
<u>Liabilities denominated in foreign currency</u>			
<u>Monetary items</u>			
US\$	118	30.705	3,628
EU\$	22	33.98	762
BP\$	3	39.15	117

December 31, 2022

	<u>Foreign Currency</u>	<u>Exchange Rate</u>	<u>Carrying amount</u>
<u>Assets denominated in foreign currency</u>			
<u>Monetary items</u>			
US\$	\$ 31,843	30.71	\$ 977,898
EU\$	363	32.72	11,869
BP\$	76	37.09	2,825
<u>Non-monetary items</u>			
Subsidiaries, associates and joint ventures accounted for using the equity method			
RMB	1,829	4.408	8,064
<u>Liabilities denominated in foreign currency</u>			
<u>Monetary items</u>			
US\$	101	30.71	3,089
EU\$	10	32.72	339

The Company's (realized and unrealized) foreign exchange gains and losses for the years of 2023 and 2022 amounted to a loss of NT\$13,301 thousand and a profit of NT\$66,356 thousand, respectively. Since the Company transacted in a number of foreign currencies, foreign exchange gain (loss) cannot be disclosed by foreign currencies with significant impact.

34. Additional Disclosures in the following Note

- 1) Related Information on Significant Transactions:
 - a. Financing provided to others. (Table 1)
 - b. Endorsements and guarantees provided to others. (Table 2)
 - c. Marketable securities held at the end of this period (excluding investments in subsidiaries, associates and joint ventures). (Table 3)
 - d. Individual securities acquired or disposed of with accumulated amount of at least NT\$300 million or 20% of the paid-in capital. (None)
 - e. Acquisition of individual real estate with amount of at least NT\$300 million or 20% of the paid-in capital. (Table 4)
 - f. Disposal of individual real estate with amount of at least NT\$300 million or 20% of the paid-in capital. (None)
 - g. Related party transactions with purchase or sales amount of at least NT\$100 million or 20% of the paid-in capital. (Table 5)
 - h. Accounts receivables from related parties of at least NT\$100 million or 20% of the paid-in capital. (None)
 - i. Derivative financial instrument transactions. (None)
- 2) Related Information on Investees (Table 6)
- 3) Information on Investments in Mainland China:
 - a. For investees in mainland China, please show the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in mainland China. (Table 7)
 - b. Any of the following significant transactions with investees in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses: (None)
 - a) Purchase amount and percentage, and the closing balance and percentage of the related payables.

- b) Sales amount and percentage, and the closing balance and percentage of the related receivables.
 - c) Property transaction amount and the resulting gain or loss.
 - d) Ending balances and purposes of endorsements/guarantees or collateral provided.
 - e) The maximum balance, ending balance, interest rate range and total amount of interest of financing for the current year.
 - f) Other transactions having a significant influence on profit or loss or financial status of the current year, such as providing or receiving services.
- 4) Information on major shareholders: Name, number of shares held, and shareholding percentage of shareholders with shareholding percentage exceeding 5%. (Table 8)

Shinkong Textile Co., Ltd.
Financing provided to others
2023

Table 1Unit: In Thousands of New Taiwan Dollars

No.	Financing Company	Counterparty	Item of Transaction	Whether A Related Party	Maximum Balance for the Period	Ending Balance	Amount Actually Drawn	Interest Rate	Nature of Financing Provided	Transaction Amount	Short-term financing needed	Provisions of doubtful debts	Collateral		Financing Limit for Individual Borrower	Limit on Total Financing Amount	Note
													Item	Value			
1	Shinkong Asset Management Co., Ltd.	Xin Fu Development Co., Ltd.	Receivables from related parties	Yes	\$ 480,000	\$ 400,000	\$ -	1.3-1.725%	Necessity of short-term financing	\$ -	Operating turnover	\$ -		\$ -	\$ 1,053,314	\$ 9,202,943	Note 3
1	Shinkong Asset Management Co., Ltd.	Shinkong Textile Co., Ltd.	Receivables from related parties	Yes	300,000	-	-	1.7%	Necessity of short-term financing	-	Operating turnover	-		-	1,053,314	9,202,943	Note 3

Note1: The numbers to be filled are described as follows:
(1) For the issuer, fill in 0.
(2) Investees are numbered sequentially starting from 1 according to the company type.

Note2: Financing provided to Shinkong Textile Co., Ltd.:
For financing provided to a company or firm that needs short-term financing, the total financing amount shall not exceed 40% of the Company's net worth; the total financing provided to a single party shall be limited to 10% of the Company's net worth.
Maximum amount of financing to companies or firms requiring short-term financing: 13,147,061 x 40% = 5,258,824
The maximum amount permitted to a single borrower: 13,147,061 x 10% = 1,314,706

Note3: Financing provided to Shinkong Asset Management Co., Ltd.:
For financing provided to a company or firm that needs short-term financing, the total financing amount shall not exceed 70% of the parent Company's net worth and each financing provided to a single party shall not exceed 20% of the parent Company's net worth while the total financing provided to a single party shall be limited to 40% of the lender's net worth.
Maximum amount of financing to companies or firms requiring short-term financing: 13,147,061 x 70% = 9,202,943
The maximum amount permitted to a single borrower: 13,147,061 x 20%=2,629,412 ; 2,588,286 x 40%=1,035,314

Shinkong Textile Co., Ltd.
Endorsements and guarantees provided to others
2023

Table 2

Unit: In Thousands of New Taiwan Dollars

No.	Name of Endorsements and Guarantees Company	Endorsee and Guarantee		Limits on Endorsement and Guarantee Amount Provided to A Single Entity (Note 3)	Maximum Endorsement and Guarantee Balance for the Period	Balance of endorsements and guarantees at the end of the period	Amount Actually Drawn	Amount of Endorsement and Guarantee Collateralized by Property	Ratio of Accumulated Endorsement and Guarantee to Net Equity per Latest Financial Statements (%)	Endorsements and guarantees Maximum limit (Note 3)	Endorsement and Guarantee Provided by Parent for Subsidiary	Endorsement and Guarantee Provided by Subsidiary for Parent	Endorsement and Guarantee Provided for Subsidiary in Mainland China	Note
		Name of Company	Relationship											
0	Shinkong Textile Co., Ltd.	Shang De Motor Co., Ltd.	6	\$ 2,629,412	\$ 72,360	\$ 72,360	\$ 72,360	\$ -	0.6%	\$ 6,573,531	N	N	N	Note 3
1	Shinkong Asset Management Co., Ltd.	Shinkong Textile Co., Ltd.	3	13,147,061	1,800,000	1,800,000	1,800,000	1,800,000	13.7%	13,147,061	N	Y	N	Note 3
2	Hua Yang Motor Co., Ltd.	Shinkong Textile Co., Ltd.	3	13,147,061	810,000	810,000	810,000	810,000	6.2%	13,147,061	N	Y	N	Note 3
2	Hua Yang Motor Co., Ltd.	Shinkong Asset Management Co., Ltd.	3	13,147,061	810,000	810,000	810,000	810,000	6.2%	13,147,061	N	Y	N	Note 3

Note:1 The numbers to be filled are described as follows:

- (1) For the issuer, fill in 0.
- (2))Investees are numbered sequentially starting from 1 according to the company type.

Note:2 The relationships between endorsers and guarantors and endorsees and guarantees are categorized into the following seven types. Please specify the type:

- (1) Companies with which the Company conducts business.
- (2) A company in which the Company directly and indirectly holds more than 50% of the voting shares.
- (3) A company that directly and indirectly holds more than 50% of the Company's voting shares.
- (4) Between companies in which the Company directly and indirectly holds more than 90% of the voting shares.
- (5) A mutual insurance company in accordance with the contract requirements of the trade or joint contractors based on the needs of the contract works.
- (6) Shareholders making endorsements and guarantees for their mutually invested company in proportion to their shareholding ratio.
- (7) Joint and several securities between companies in the same industry for performance guarantees of pre-construction homes under the Consumer Protection Act.

Note:3 The limit calculated based on the Company's Procedures for Endorsement and Guarantee is as follows:

- (1) The Company and subsidiaries' aggregate amount of endorsement and guarantee for external entities shall not exceed 50% of the Company's net worth. The maximum endorsement and guarantee for a single entity shall not exceed 20% of the Company's net worth.
- (2) According to the rules above, the maximum amount of aggregate endorsement and guarantee provided by the Company and subsidiaries was the net worth of $13,147,061 \times 50\% = 6,573,531$ and the maximum endorsement and guarantee for a single entity was the net worth of $13,147,061 \times 20\% = 2,629,412$ for the year of 2023.

The limit calculated based on Shinkong Asset Management Co., Ltd.'s Procedures for Endorsement and Guarantee is as follows:

- (3) The amount of endorsement and guarantee provided by 100%-owned subsidiaries to the parent company shall be limited to the net worth of the parent company.

Note:4 Fill in Y if a listed parent company provides endorsement and guarantee for its subsidiary or if a subsidiary provides endorsement and guarantee for its listed parent company or if endorsement and guarantee involve mainland China.

Shinkong Textile Co., Ltd.
Marketable securities held at the end of the period
December 31, 2023

Table 3

Unit: In Thousands of Shares / Unit: In Thousands of New Taiwan Dollars

Holding Company	Type and Name of Securities (Note 1)	Relationship with Issuer of Securities (Note 2)	Financial Statement Account	At the end of the period				Note (Note 3)
				Number of shares (thousand shares/thousand units)	Carrying amount	Shareholding ratio(%)	Fair value	
Shinkong Textile Co., Ltd.	Beneficiary certificates							
	GSO Fund	None	Financial assets at fair value through profit or loss - current	18	\$ 59,612		\$ 59,612	
	COTTONWOOD Fund	None	"	9	359,707		359,707	
	MIH Climate Fund	None	"		7,914		7,914	
	Stocks - listed on TWSE or TPEx							
	Far EasTone Telecommunications Co., Ltd.	None	"	49	3,910	-	3,910	
Shinkong Textile Co., Ltd.	TacBright Optronics Corporation	(5)	"	5,000	20,050	1.08	20,050	
					<u>\$ 451,193</u>		<u>\$ 451,193</u>	
	Stocks - listed on TWSE or TPEx							
	Shinkong Synthetic Fibers Corporation	(3)	Financial assets at fair value through other comprehensive profit and loss - current	56,104	\$ 872,422	3.47	\$ 872,422	
	Taishin Financial Holding Co., Ltd.	(5)	"	7,815	141,452	0.06	141,452	
	Shin Kong Financial Holding	(5)	"	4,609	40,788	0.03	40,788	
Shinkong Textile Co., Ltd.					<u>\$ 1,054,662</u>		<u>\$ 1,054,662</u>	
	Stocks - listed on TWSE or TPEx			10,385				
	Xintec Inc.	None	Financial assets at fair value through other comprehensive profit and loss - non-current	141	\$ 17,977	0.05	\$ 17,977	
	O-Bank Co., Ltd.	None	"	10,385	103,640	0.34	103,640	
	The Great Taipei Gas Corporation	(5)	"	10,738	351,133	2.08	351,133	
	Taishin Financial Holding Co., Ltd. - preferred stocks E	(5)	"	228	11,655	0.03	11,655	
	Shinkong Insurance Co., Ltd.	(1)	"	51,540	3,509,842	16.31	3,509,842	10,000 thousands of shares were collateralized to Shin Kong Bank and Taishin International Bank separately with a market value of NT\$1,362,000 thousand

(Continued on the next page)

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Holding Company	Type and Name of Securities (Note 1)	Relationship with Issuer of Securities (Note 2)	Financial Statement Account	At the end of the period				Note (Note 3)
				Number of shares (thousand shares/thousand units)	Carrying amount	Shareholding ratio(%)	Fair value	
	Taishin Financial Holding Co., Ltd. - preferred stocks E (Second)	(5)	Financial assets at fair value through other comprehensive profit and loss - non-current	137	\$ 6,237	0.05	\$ 6,237	32,000 thousand shares were collateralized to ChinaTrust Commercial Bank with a market value of NT\$1,155,520 thousand
	Unlisted companies							
	Taian Insurance Co., Ltd.	None	"	2,049	70,923	0.69	70,923	
	Shin Kong Chao Feng Co., Ltd.	(5)	"	200	31,199	2.22	31,199	
	Shinkong Mitsukoshi Department Store Co., Ltd.	(4)	"	41,275	1,490,456	3.31	1,490,456	
	Shin Kong Recreation Co., Ltd.	(2)	"	650	234,072	3.32	234,072	
	Eastern International Ad.	None	"	-	280	0.90	280	
	Li Yu Venture Capital Co., Ltd.	None	"	209	3,324	1.79	3,324	
	Taiwan Zeniya Interior Design Co., Ltd.	None	"	-	19,965	8.00	19,965	
	IRSO Precision Co., Ltd.	None	"	1,000	-	4.93	-	
	KHL IB Venture Capital	None	"	3,283	35,556	2.98	35,556	
	Mega Solar Energy Co., Ltd.	None	"	1,000	10,000	1.25	10,000	
	CYS Investment Co., Ltd.	None	"	10,000	93,485	18.18	93,485	
	Meihao Youjing Investment Co., Ltd.	None	"	10,000	100,000	15.63	100,000	
					<u>\$ 6,089,744</u>		<u>\$ 6,089,744</u>	

Note1: Marketable securities in the table refer to stocks, bonds, beneficiary certificates and other related derivative securities as promulgated in IFRS 9 "Financial Instruments".

Note2: (1): The Company's representative of corporate chairman and the Company's representative of corporate chairman are relatives within the second degree of kinship.

(2): The Company's representative of corporate director and the Company's representative of corporate chairman are relatives within the second degree of kinship.

(3): The Company's representative of corporate director is the same person as the Company's representative of corporate chairman.

(4): The Company's representative of corporate supervisor and the Company's representative of corporate chairman are relatives within the second degree of kinship.

(5): Other related parties.

Note3: Where marketable securities held are pledged as security or pledged for borrowings or with restrictions on their uses under some agreements, the numbers of shares and amount pledged as well as restrictions shall be stated in the Note column.

Note4: For information on investments in subsidiaries, associates, and joint ventures, please refer to Table VI.

Shinkong Textile Co., Ltd.

Acquisition of individual real estate with amount of at least NT\$300 million or 20% of the paid-in capital.

January 1 to December 31, 2023

Table 4

Unit: Unless Stated Otherwise, in thousands of New Taiwan Dollars

Company acquisition of real estate	Name of property	Date	Amount	Payment status	Related Party	Relationship	Previous transfer data for transactions involving related parties must be provided.				Reference criteria for pricing	Objectives and usage for acquisition	Other matters agreed upon
							All individuals	Relationship with the issuer	Date of transaction	Amount			
Shinkong Asset Management Co., Ltd.	Housing and Construction	2023/4/8	\$ 1,038,033	\$ 330,449	Feng Yu Group Co., Ltd.	Non related parties	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable for self-constructed assets	Enhance operational efficiency and activate assets	None
Xin Fu Development Co., Ltd.	Housing and Construction	2024/6/6 (Note 1)	3,177,024	105,983	Chong Hong Construction Co., Ltd.	Non related parties	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable for self-constructed assets	Investment in constructing buildings for sale or rental use	None

Note 1: On June 6, 2023, Xin Fu Development Co., Ltd. passed a resolution during the Board of Directors meeting to enter into a joint development contract with Chong Hong Construction Co., Ltd. on October 12, 2023.

Shinkong Textile Co., Ltd.

Related party transactions with purchase or sales amount of at least NT\$100 million or 20% of the paid-in capital

2023

Table 5

Unit: In Thousands of New Taiwan Dollars

Companies with purchase (sales) of goods	Related Party	Relationship	Transaction Details				Circumstances where the transaction conditions are different from general transactions and the reasons (Note 1)		Notes and accounts receivable (payable)		Note (Note 2)
			Purchase (sales) of goods	Amount	Proportion of total purchase (sales) of goods %	Credit period	Unit price	Credit period	Balance	Percentage of Total Notes and Accounts Receivable (Payable) %	
Shinkong Mitsukoshi Department Store Co., Ltd.	Shinkong Textile Co., Ltd.	Related party in substance	Sales	\$ 303,951	10.12%	No significant difference from general customers	—	—	\$ 60,837	14.04%	
Chyang Sheng Dyeing & Finishing Co., Ltd.	Shinkong Textile Co., Ltd.	Related party in substance	Purchases	112,628	6.12%	No significant difference from general customers	—	—	41,250	12.11%	

Note 1: If the related party's transaction conditions are different from the general transaction conditions, the differences and reasons should be stated in the unit price and credit period fields.

Note 2: If there is the circumstance of advance receipt (payment), the terms of the contract, the amount and the difference from the general transaction type shall be stated in the Notes column.

Note 3: Paid-in capital refers to paid-in capital of the parent company. If the issuer's shares have no par value or the par value of each share is not NT\$10, then the transaction amount of 20% of the paid-in capital shall be calculated as 10% of the equity attributable to the owner of the parent company in the balance sheet.

Shinkong Textile Co., Ltd.
Names, locations, and other information of investees
2023

Table 6

Unit: In Thousands of Shares / New Taiwan Dollars

Investor	Name of investee company	Location	Principal Business Activities	Initial Investment Amount		Holding at the end of the period			Income (Loss) of the Investee	Investment Gain (Loss)	Note
				At the end of the current period	End of Last Year	Number of shares	%	Carrying amount			
Shinkong Textile Co., Ltd.	Shinkong Asset Management Co., Ltd.	F15, No. 44, Section 2, Zhongshan N Road, Zhongshan District, Taipei	Development and rental of housing, building and industrial factory, development of specific areas and investment, development and construction in public construction	\$ 664,719	\$ 664,719	98,000	100.00	\$ 2,549,782	\$ 99,796	\$ 98,590	Note 1, Subsidiary
"	Lian Quan Investment Co., Ltd.	F6, No. 44, Section 2, Zhongshan N Road, Zhongshan District, Taipei	Reinvestment in a wide range of businesses, including manufacturing, banking, insurance, recreation, securities, trading, general merchandises, cultural undertakings and the construction of commercial buildings and public housing units.	83,113	83,113	11,192	48.89	461,590	27,711	13,548	
"	SK INNOVATION CO., LTD.	Portcullis Trust Net Chambzs, P.O. Box1225, Apia, Samoa	General investment business	21,424	21,424	700	100.00	3,712	(4,241)	(4,241)	Subsidiaries
"	Shang De Motor Co., Ltd.	No. 518, Zhongzheng Rd., Xinzhuang Dist., New Taipei City	Trading and maintenance of motor vehicles and trading of auto parts.	269,699	269,699	9,715	33.50	305,330	131,852	44,163	
"	WPI-High Street LLC	5190 Campus Dr., Newport Beach, CA 92660	General investment business	74,656	74,656	-	35.71	50,968	19,316	6,898	
"	Chyang Sheng Dyeing & Finishing Co., Ltd.	No.126, Dagong Rd., Dayuan Dist., Taoyuan City	Outsourcing of Dyeing and Finishing	546,947	-	35,171	20.30	560,501	127,390	13,554	
Shinkong Asset Management Co., Ltd.	Xin Fu Development Co., Ltd.	F15, No. 44, Section 2, Zhongshan N Road, Zhongshan District, Taipei	Development and rental of housing, building and industrial factory, and development of specific areas	1,072,650	764,862	106,500	100.00	1,078,153	3,379	3,379	Second-tier subsidiary
"	Hua Yang Motor Co., Ltd.	F15, No. 44, Section 2, Zhongshan N Road, Zhongshan District, Taipei	Wholesale of motor vehicles, retail sale of auto and motorcycle parts and accessories, automobile repair, other automobile services, leasing, and manufacturing of motor vehicles/motorcycles and their parts	349,065	349,065	33,700	100.00	390,431	47,181	47,181	Second-tier subsidiary
"	Chyang Sheng Dyeing & Finishing Co., Ltd.	No.126, Dagong Rd., Dayuan Dist., Taoyuan City	Outsourcing of Dyeing and Finishing	6,426	-	413	0.24	6,585	127,390	159	
Hua Yang Motor Co., Ltd.	One Full Co., Ltd.	F15, No. 44, Section 2, Zhongshan N Road, Zhongshan District, Taipei	Retail sale of cloths, retail sale, retail sale without storefront, other integrated retail sale, and international trade.	44,000	76,000	4,400	100.00	32,843	(10,584)	(10,584)	Second-tier subsidiary

Note 1: The carrying amount has deducted the NT\$13,174 thousand reclassified as treasury shares.

Note 2: Please refer to Table 7 for information on investments in mainland China.

Shinkong Textile Co., Ltd.
Information on Investments in Mainland China
2023

Table 7

Unit: In Thousands of New Taiwan Dollars; Foreign Currencies

Name of mainland investee company	Principal Business Activities	Paid-in Capital	Method of Investments	Accumulated Outward Remittance for Investment from Taiwan at the beginning of the current period	The amount of investment remitted or recovered during the current period		Accumulated Outward Remittance for Investment from Taiwan at the end of the current period	Net Income (Loss) of the Investee in the current period	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 2)	Investment carrying value at the end of the current	Accumulated Repatriation of Investment Income as of the current period	Note
					Outflow	Inflow							
Shanghai Xin Ying Trading Co., Ltd.	Garments, leather suitcases, daily commodities, craft gifts (except for cultural relics) and packaging materials.	\$ 21,362	Note 1 (2)	\$ 21,362	\$ -	\$ -	\$ 21,362	(\$ 4,241)	100	(\$ 4,241) (2)－C	\$ 3,708	\$ -	-

Note:1 Methods of investments are divided into the following three types. Please specify the type.

- (1) Direct investment in mainland China.
- (2)-(1) Reinvesting in the Mainland through SK INNOVATION CO., LTD. in the third area.
- (2)-(2) Reinvesting in the Mainland through Shanghai Xin Ying Trading Co., Ltd.
- (3) Other method.

Note:2 For the Investment Gain (Loss) column:

- (1) Indicate if no investment gain (loss) is recognized as an investee is under preparation.
- (2) Indicate if investment gain (loss) is recognized on one of the following bases.
 - A. Financial statements audited by international accounting firms cooperating with accounting firms in the Republic of China.
 - B. Financial statements audited by the parent company's CPAs in Taiwan.
 - C. Others (financial statements for the same periods prepared by above investees).

Accumulated Outward Remittance for Investment in Mainland China at the end of the current period	Investment Amounts Authorized by Investment Commission	Upper Limit on the Amount of Investment Stipulated by Investment Commission
\$ 21,362	\$ 1,000USD 30,705TWD	\$ 7,888,237

Shinkong Textile Co., Ltd.
Information on Major Shareholders
December 31, 2023

Table 8

Name of Major Shareholders	Shareholding	
	No. of Shares	Percentage of Ownership
Shinkong Synthetic Fibers Corporation	28,378,958	9.45%
Shin Kong Medical Foundation	20,979,735	6.99%
Chichen Co., Ltd.	19,650,000	6.54%

Note 1: The substantial shareholders in this table are shareholders holding more than 5% of the ordinary and preference shares that have completed delivery of non-physical registration (including treasury shares) on the last business day of the current quarter calculated by the Taiwan Depository & Clearing Corporation. Share capital indicated in the Company's consolidated financial statements may differ from the actual number of shares that have been issued and delivered without physical registration as a result of different basis of preparation.

Shinkong Textile Co., Ltd.

Chairman: Hsing-En Wu