

Stock Code: 1419



Shinkong Textile Co., Ltd.

# 2022 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,

In 2022, due to the inflation caused by the strong US dollar, the Russia-Ukraine war and the increase of crude oil price, it is estimated that the recovery of brand orders will fall behind the third quarter of 2023. In addition, the raw material supplier broke the chain due to the epidemic, and the price kept rising to a record high. The problem of all things rising together is becoming more serious, affecting the gross profit. The global textile and garment industry benefited from the recovery of COVID-19 epidemic and relaxing some of lockdown restrictions in various countries, the turnover of domestic commodity retail industry increased slightly compared with last year. Under stabilization of people's consumption power, the turnover of comprehensive commodity retail industry increased slightly compared with last year.

The export sales revenue of the marketing department of Shinkong Textile in 2022 increased by 26.07% compared with last year, the retail department revenue increased by 18.56%, the overall consolidated operating revenue increased by 21.84% compared with the previous year, and the operating net profit increased by 49.95% compared with the previous year.

The production and sales status of the Company are described as follows:

## I. Production conditions:

In this period, the Company achieved 4,315,194 yards fabric, compared to the last period of 3,782,499 yards, up 532,695 yards; processed 19,956,179 yards fabric, compared to 15,531,956 yards of the last period, up 4,424,223 yards.

## II. Business conditions:

The parent company only net operating income of the current period totaled NT\$3,138,180 thousand, an increase of NT\$2,552,849 thousand over NT\$585,331 thousand in the previous period, accounting for 136.52% of the budget.

The operation of departments under the parent company only is summarized below:

- (I) The Marketing Department: Based on the fabric export, the operating revenue was NT\$2,223,754 thousand, increased by 26.07% compared to the same period of last year, 155.11% of budget. The growth performance came from increased demand for online

shopping for major brands, and with increasing exercise at home, and consumers increasingly demand functional garment, driving the performance growth. In addition, European and USA countries vaccinated, the market gradually recovered, most of the customers in addition to purchasing orders for the new season and replenishing the inventory.

- (II) The Retail Department: based on domestic garment market, the operating revenue of this period was NT\$757,759 thousand, an increase of 19.23% as compared with the same period of last year, 106.55% of the budget. Last year, business hours were shortened due to a decrease in the number of people. However, the epidemic prevention policy was relaxed and the number of people was withdrawn in 2022, the performance was higher than that of the previous year.
- (III) The Business Development Department: Its revenue of the current period was NT\$156,667 thousand, remained unchanged from the same period of last year, to 101.84% of budget.

The operating revenue of 2022 was NT\$3,349,289 thousand, an increase of NT\$600,375 compared to the same period of last year, accounting for 132.75% of the budget. Net income after tax attributable to the owner of the company was NT\$2,070,986 thousand.

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

#### (I) Results of operation based on 2022 business plan:

NT\$: thousand

Item \ Year	2022	2021	Difference
Net Operating Revenue	3,349,289	2,748,914	600,375
Operating Costs	2,431,251	2,020,019	411,232
Gross Profit	918,038	728,895	189,143
Operating Expenses	618,188	528,671	89,517
Other operating income and expenses	405	-	405
Profit/(loss) from operations	300,255	200,224	100,031
Net Non-Operating Revenue	1,963,266	284,849	1,678,417
Net profit before tax	2,263,521	485,073	1,778,448
Current net profit	2,070,986	450,883	1,620,103

#### (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 2023 and thus without disclosure of this information



(III) Financial position and profitability analysis:

Year		2022	2021	Changes in Percentage(%)
Item				
Return on total assets		12.79	3.19	300.94
Return on shareholders' equity		19.04	4.72	303.39
As a percentage (%) to Paid-in Capital	Operating Income	10.01	6.67	50.07
	Net Income before Income Tax	75.44	16.17	366.54
Net profit margin		61.83	16.40	277.01
Earnings per share(NT\$)		6.92	1.51	358.28

IV. Summary of Business Plan of this year:

The performance growth came from increased demand for online shopping for major brands, and with increasing exercise at home, and consumers increasingly demand functional garment, driving the performance growth. Forecast 2023 operation due to high inflation and energy prices, pull up the cost of man-made fibers and raw materials, resulting in a decline in purchasing power; Brands are still looking for new trends after they were unsealed, which are not expected to be seen for at least six months. High inflation affects end demand, making global markets more fragile. This year, the Company adopts the following strategies in response to market changes:

- (I) Export market: Product quality upgrading and strengthening the innovation and development of sustainable circular products, developing high unit price and high quality customers, product packaging planning, continuous network upgrade optimization to enhance digital marketing.
- (II) Domestic sales market: Increase the diversity of products, diversify

and expand consumer groups, strengthen various marketing activities, and continue to actively expand market share.

- (III) Employ and retain excellent talents, actively formulate career development plan and ideas for develop business for excellent employees.

In unsealing-COVID-19 era, to realize an innovative economy that takes the lead in supply chain, labor skill upgrading or AI integration to promote the growth of output value, the Company will be committed to shouldering the sustainable responsibility, adopting the revolutionary technology, innovative management and other models, in line with the unsealing-pandemic world. In addition to taking into account business opportunities, improve product durability and zero waste concept to reduce the unfriendly impact on the environment. Adjust and improve efficiency and capacity to achieve good operating performance and financial results in line with expectations.

- 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

Due to previous overordering, brand owners underordered in 2022. In addition, other adverse factors such as the Russo-Ukrainian War that increased crude oil prices, rising raw material costs that affected demands, and continued global inflation, have all led to sluggish demand in the terminal market. The consumers' willingness to purchase decreased and export shrank by 2%.

For the textile industry, the year 2023 is cautiously observation. However, under the influence of the post-epidemic, raw material prices and the Russia-Ukrainian War result in international energy

and hiking commodity price, which worsen the global inflation and discourage consumption. All these become risks for the textile industry. However, due to Russia-Ukrainian war, the investors seek to hedge against exchange rate risks by holding US dollars, leading Taiwan dollar depreciated, which is conducive for textile export. The textile industry should continuously observe the changes of consumer-end demand and flexibly adjust the relevant strategies in raw materials, quotation and exchange rate hedging.

The EU will fully implement the carbon border adjustment mechanism and sign the RECEP from 2026. Taiwan textile industry will surely still face adverse competition under multiple impacts. In addition to increasing R&D and international marketing, promoting carbon reduction and increasing the use of recycled materials, the Company will explore the feasibility of overseas production base to adapt to the international situation.

Regards

Best wishes!

**Chairman Hsing-En Wu**

## Chapter II. 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 in Taipie's 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 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 1973, 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 in Daxi Township, Taoyuan County to construct the Taoyuan Plant in 1973. The ring spinning frames of 41,280 spindles from Zinser, a reputable West German 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 NT\$160 million in 1974; NT\$100 million in 1975 and NT\$180 million in 1977. By 1977, 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 NT\$400 million in 1985 to improve its financial structure. Another 54 sets of Sulzer weaving machines were acquired in 1988 to gradually replace 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 moved 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 retail 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 the Dayuan Industrial Park. In 2013, the Company acquired automated dyeing and finishing equipment as well as digital textile printing machines.

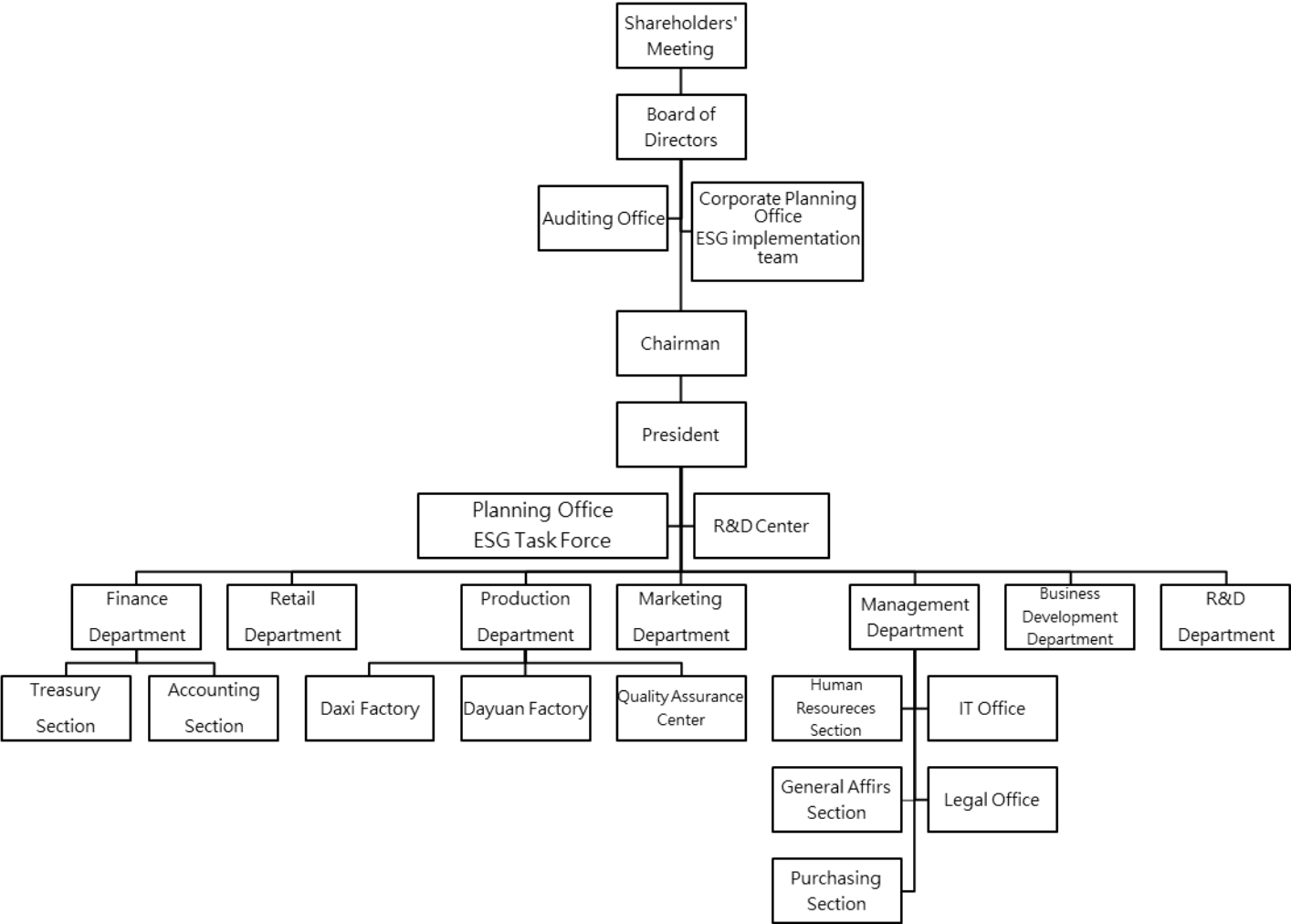
Newly increased 18 traditional yarn-covering machines and 8 units of air yarn-covering machine in May 2021.

Except for the 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

Name of Department	Responsibilities
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. New brand and product development; quarterly product purchase planning Control of purchase, inventory, production delivery, incoming and outgoing merchandise. Uniform planning, design, production and gift production.
Production Department	Management of greige fabric production. Research and development of new products and improvement of quality and 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	Real Estate Department (land development and real estate leasing).
Finance Department	Enter account processing in the computer, conduct audit analysis and maintain the system; prepare and analyze financial statements; be responsible for budget preparation and variance analysis. Be responsible for the management, collection and payment of petty cash and bank deposits; receipt, issuance and management of bills; fund allocation and asset insurance.
Management Department	Planning, formulation and revision of corporate regulations. HR planning, performance assessment. General affairs, material purchase and management. Implement and plan the development and maintenance information system.
Auditing Office	Audit the implementation effectiveness of various internal control regulations and provide improvement suggestions.



Corporate Planning Office	Strategic planning.
ESG implementation team	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. Directors

April 12, 2022

Title	Nationality/Place of Registration	Name	Gender/Age	Elected/Appointed Date	Term	First election Date	Shareholding at the Time of Appointment		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominees		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			Remark
							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.	-	June 19, 2020	three years	May 26, 2017	19,650,000	6.54	19,650,000	6.54	-	-	-	-	-	-	-	-	-	None
	R.O.C.	Representative Hsing-En Wu	Male 40~49	June 19, 2020		June 19, 2009	0	0	0	0	0	0	220,000	0.07	Master of Materials Science and Engineering, UCLA Chairman of Shinkong Textile Co., Ltd. Chairman of Shinkong Asset Management Co., Ltd.	Note 1	Director	Hsin-Hung Wu	Brother	None
Director	R.O.C.	Representative Hsin-Hung Wu	Male 40~49	June 19, 2020		March 18, 2009	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.	Representative	Male	July 1,		June 5,	290	0	5,290	0	0	0	0	0	Master of Business	Director of	-	-	-	None



Title	Nationality/Place of Registration	Name	Gender/Age	Elected/Appointed Date	Term	First election Date	Shareholding at the Time of Appointment		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominees		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			Remarks
							Number of Shares	Shareholding Ratio (%)	Number of Shares	Shareholding Ratio (%)	Number of Shares	Shareholding Ratio (%)	Number of Shares	Shareholding Ratio (%)			Title	Name	Relationship	
	C.	Chin-Fa Chiu	60~69	2020		2003									Administration, National Taiwan University President of Shinkong Textile Co., Ltd. Executive General Manager of Ruentex Industries Limited	Chyang Sheng Dyeing & Finishing Co., Ltd.				None
Director	R.O.C.	Foundation Wu Tung Ching Foundation	-	June 19, 2020		June 19, 2009	51,660	0.01	51,660	0.01	-	-	-	-			-	-	-	None
	R.O.C.	Representative Po-Han Lin	Male 50~59	Jan 7, 2021	three years	Jan 7, 2021	0	0	0	0	0	0	0	0	Master of Business Administration, Meiji University Chairman of Shin Kong LOHAS Co., Ltd. , director of Shin Kong Financial Holding Co., Ltd.	Chairman of Shin Kong LOHAS Co., Ltd. , director of Shin Kong Financial Holding Co., Ltd.	-	-	-	None
Independent Director	R.O.C.	Wei-Kan Chen	Male 40~49	July 16, 2021	three years	July 16, 2021	0	0	0	0	0	0	0	0	Master of Finance, University of Cambridge Master in Design Studies (Real Estate) Harvard University E.R.C. Group/Senior Consultant Los Angeles City College Foundation/Director Preferred	Executive Director, Harvard Design International, Ltd.				None



Title	Nationality/Place of Registration	Name	Gender/Age	Elected/Appointed Date	Term	First election Date	Shareholding at the Time of Appointment		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominees		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			Remark
							Number of Shares	Shareholding Ratio (%)	Number of Shares	Shareholding Ratio (%)	Number of Shares	Shareholding Ratio (%)	Number of Shares	Shareholding Ratio (%)			Title	Name	Relationship	
															Bank/Commercial Financial Bank Department/First Vice President and Customer Relationship Manager					
Independent Director	R.O.C.	Mao-Jung Wang	Male 60~69	June 19, 2020	3 years	June 19, 2020	0	0	0	0	0	0	0	0	Bachelor of Accounting, Soochow University Senior Advisor of Ventec International Group Director, Chief Financial Officer of Cosmo Electronics Corp. Director, Chief Financial Officer of ZINWELL Corporation	Independent Director of MasterLink Securities Corp.	-	-	-	None
Independent Director	USA	David Ching	Male 40~49	June 19, 2020	3 years	June 14, 2019	0	0	0	0	0	0	0	0	BS in Management Science - Economics, University of California, San Diego Founder and President of Violet Lake Pavillion Hotel, Qiandao Lake Hotel, Qiandao Lake Founder and President of Ivy Lake View Hotel, Qiandao Lake First Vice President of United Overseas Bank (China) Hangzhou Branch Corporate Banking	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, director of Shinkong Co., Ltd.																				



## 2. Major Shareholder

March 28, 2023

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

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

March 28, 2023

Name of Corporation	Substantial Shareholders of Corporate	
	Name	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 28, 2023

Qualifications Name	Professional Qualification and Work Experience	Independence	Number of Other Public Companies where the Individual Concurrently Serves 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 22 of this annual report	N/A	0
Hsin-Hung Wu			0
Chin-Fa Chiu			0
Po-Han Lin			0
Wei-Kan Chen	All directors don't meet any conditions defined in Article 30 of the Company Act (note 1)	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			2
David Ching			0

Note 1: A person who is under any of the following circumstances shall not act as a managerial officer of 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:

### **Diversified policy**

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 composition of the board of directors shall be taken into consideration in the selection of the Company's directors. The Board members shall be diverse in form, and the corresponding diversity policies shall be formulated in accordance with its own operations, operating patterns and development demands, including but not limited to the following two standards:

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

#### **(2) All members of the board shall have the knowledge, skills, and experience necessary to perform their duties. The entire board of director shall possess the following abilities:**

- I. Ability to make operational judgments.
- II. Ability to perform accounting and financial analysis.
- III. Ability to conduct management administration.
- IV. Ability to conduct crisis management.
- V. Knowledge of the industry.
- VI. An international market perspective.
- VII. Ability to lead.
- VIII. Ability to make policy decisions.

#### **(3) The diversified policy and implementation of directors are disclosed on the Company's website.**

### **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 decision.(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 23rd 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 general manager of the Company and is director of Chyang Sheng Dyeing & Finishing Co., Ltd., 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 China. The average age of

directors is 53, and in addition to David Ching independent director, the term of office of the three independent directors is less than 3 years, the directors who are also managers of the Company are not more than one third of the directors' seats. In the future, the Company will continue to evaluate the diversity and complementarity of directors and implement the diversification policy. Future goals include plans for unitary organizations (including subsidiaries) to hold no more than one-third of all board seats, with at least one female directors seat.

Note 1 (the status and implementation of diversification policy of board of directors):

Director Name	Nationality	Age	Gender	Seniority of Independent Director	The diversified background and major capacity of board								
					Professional background	Operation Determination	Industrial experience	Business Administration	Finance Accounting	International Market vision	Leadership	Decision-making capacity	Crisis response
Hsing-En Wu	R.O.C.	40~49	Male		Chairman of Master of Materials Science and Engineering, UCLA Shin Kong Textile Co., Ltd. Chairman and President of Shinkong Asset Management Co., Ltd.	V	V	V	○	V	V	V	V
Hsin-Hung Wu	R.O.C.	40~49	Male		Master of Business Administration, Wharton School of the University of Pennsylvania Chairman of Shinkong Insurance Director of Shinkong Asset Management Co., Ltd.	V	V	V	V	V	V	V	V
Chin-Fa Chiu	R.O.C.	60~69	Male		Master of Business Administration, National Taiwan University, President/Director of Shinkong Textile Co., Ltd. Chyang Sheng Dyeing & Finishing Co., Ltd./Director	V	V	V	V	V	V	V	V
Po-Han Lin	R.O.C.	50~59	Male		Master of Business Administration, Meiji University Chairman of Shin Kong LOHAS Co., Ltd., Director of Shin Kong Financial Holding Co., Ltd. Chairman of Shin Kong International Investment Co., Ltd.	V	○	V	V	V	V	V	V
David Ching	USA	40~49	Male	3~6 years	BS in Management Science - Economics, University of California, San Diego President of Violet Lake Pavillion Hotel, Qiandao Lake President of Ivy Lake View Hotel, Qiandao Lake	V		V	V	V	V	V	V
Wei-Kan Chen	R.O.C.	40~49	Male	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	○	○	○
Mao-Jung Wang	R.O.C.	60~69	Male	Under 3 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 composition structure of the current Board of Directors consists of 3 independent directors (42.9%, more than one-third of the board seats), 4 non-independent directors (57.1%), including 2 directors with employee/manager status (28.6%, less than one-third of the board seats). 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 general manager 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 28, 2023

Title	Nationality	Name	Gender	Elected(Appointed) Date	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominees		Major Experience (Education)	Other Position Concurrently Held at the Company and Other Companies	Managerial officer who Are Spouses or within the Second Degree of Kinship			Remark
					Number of Shares	Shareholding Ratio (%)	Number of Shares	Shareholding Ratio (%)	Number of Shares	Shareholding Ratio (%)			Title	Name	Relationship	
President	R.O.C.	Jui-Nan Chang (Note 1)	Male	May 16, 2022	0 shares	0	0	0	0	0	Master of Business Administration, Lake Superior State University, Michigan Executive General Manager of Ruentex Industries Limited	None	-	-	-	None
Executive Vice President	R.O.C.	Shu-Ti Chang	Female	September 1, 2009	20 shares	0	0	0	0	0	Bachelor of Business Administration, Soochow University Management Department, Shinkong Textile Co., Ltd.	Director of Shinkong Asset Management Co., Ltd.	-	-	-	None
Vice President	R.O.C.	Cheng-Yao Lee (Note 2)	Female	January 4, 2021	0 share	0	0	0	0	0	EMBA, National Taiwan University Senior Deputy General Manager of LI & FUNG (TAIWAN) LTD.	None	-	-	-	None



Vice President	R.O. C.	Su-Chuan Ko	Female	September 1, 2009	1,230 shares	0	0	0	0	0	Bachelor of Accounting, Tunghai University Financial Department/ Auditing Office, Shinkong Textile Co., Ltd.	None	-	-	-	None
Assistant Vice President	R.O. C.	Yung-Hsin Huang	Male	March 1, 2017	0 share	0	0	0	0	0	Master of Business Administration, Chung Yuan Christian University Deputy Director of HUALON Corporation	None	-	-	-	None
Assistant Vice President	R.O. C.	Chu-Ying Chen	Female	August 1, 2017	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-Chung Wang	Male	August 16, 2020	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	Jan 1, 2022	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 (Note 3)	Male	August 22, 2022	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
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Note 1. President Jui-Nan Chang was appointed on May 16, 2022

Note 2. Vice President Cheng-Yao Lee resigned on October 31, 2022

Note 3. Assistant Vice President Chun-Ming Su was appointed on August 22, 2022



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

#### (I) Directors' remuneration

In Thousands of New Taiwan Dollars

In Thousands of New Taiwan Dollars																						
Title	Name	Remuneration Paid 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						The Total Remuneration (A+B+C+D) and its ratio to the Net Income After Tax		Whether There Is 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			
Chairman	Chichen Co., Ltd. Representative: Hsing-En Wu	448	672	0	0	21,800	21,800	0	0	22,248 1.07%	22,472 1.09%	13,465	23,903	108	216	744	0	1,439	0	36,565 1.77%	48,030 2.32%	-
Director	Chichen 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	1,392	0	0					720 0.03%	720 0.03%									720 0.03%	720 0.03%	
Independent Director	Wei-Kan Chen																					
Independent Director	David Ching																					
<div>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.</div> <div>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.</div>																						





Remuneration Bracket

(In Thousands of New Taiwan Dollars)

Range of Remuneration Paid to Directors	Name of Director			
	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)			Chin-Fa Chiu	Chin-Fa Chiu
NT\$2,000,000 (inclusive)~NT\$3,500,000 (exclusive)				
NT\$3,500,000 (inclusive)~NT\$5,000,000 (exclusive)			Hsin-Hung Wu	
NT\$5,000,000 (inclusive)~NT\$10,000,000 (exclusive)	Shin Kong Wu Tung Ching Foundation	Shin Kong Wu Tung Ching Foundation	Shin Kong Wu Tung Ching Foundation, Hsing-En Wu	Shin Kong Wu Tung Ching Foundation, Hsin-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)	Chichen Co., Ltd.	Chichen Co., Ltd.	Chichen Co., Ltd.	Chichen Co., Ltd.
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	9 persons (including 2 legal persons)	9 persons (including 2 legal persons)	9 persons (including 2 legal persons)	9 persons (including 2 legal persons)



## (II) Remuneration Paid to the President and Vice Presidents

(In Thousands of New Taiwan Dollars)

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 (%)		Whether There Is Compensation from an Invested Company Other than the Company's Subsidiary or the Parent Company
		The Company	All companies in the 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	Jui-Nan Chang (Note 1)	8,029	8,125	356	356	3,830	3,846	617	-	1,233	-	12,832 0.62%	13,560 0.65%	-
Executive Vice President	Shu-Ti Chang													
Vice President	Cheng-Yao Lee (Note 2)													
Vice President	Su-Chuan Ko													

Note 1. President Jui-Nan Chang was appointed on May 16, 2022

Note 2. Vice President Cheng-Yao Lee resigned on October 31, 2022



## Range of Remuneration

Range of Remuneration Paid to the President and Vice Presidents	Name of President and Vice President	
	The Company	All Companies in Consolidated Financial Statements
Less than NT\$1,000,000		
NT\$1,000,000 (inclusive)~NT\$2,000,000 (exclusive)		
NT\$2,000,000 (inclusive)~NT\$3,500,000 (exclusive)	Jui-Nan Chang, Cheng-Yao Lee, Su-Chuan Ko	Jui-Nan Chang, Cheng-Yao Lee, Su-Chuan Ko
NT\$3,500,000 (inclusive)~NT\$5,000,000 (exclusive)	Shu-Ti 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

(In Thousands of New Taiwan Dollars)

	Title	Name	Stock Amount	Cash Amount	Total	Ratio of total compensation to net income after tax(%)
Managerial officers	President	Jui-Nan Chang	0	1,784	1,784	0.09%
	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-Chung 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	2021		2022	
	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	6.27%	8.33%	1.80%	2.35%
President and Vice President	3.27%	3.35%	0.62%	0.65%

The remuneration policy (including Directors, managerial officers and employees) is described below:

(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 less than one percent as the remuneration for employees and no more than five percent as the remuneration for Directors and Supervisors. Directors' remuneration is divided equally among directors (legal persons) according to the appropriation 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 Performance bonus, achievement bonus or performance bonus shall be issued according to the profit center bonus system.

Performance 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 2022 shall be 1%.

## IV. Operation of Corporate Governance

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

A total of five (5) meetings of the Board of Directors were held in the most recent year (2022). The attendance of Directors and Supervisors was as follows:

Title	Name	Number of attendance in person (B)	Number of times by proxy	Number of attendance in person (A)	Attendance Rate (%) [A/B]	Remark
Chairman	Chichen Co., Ltd. Representative: Hsing-En Wu	5	0	5	100%	
Director	Chichen Co., Ltd. Representative: Hsin-Hung Wu	5	0	5	100%	
Director	Shin Kong Wu Tung Ching Foundation Representative Po- Han Lin	5	0	5	100%	
Director	Chichen Co., Ltd. Representative: Chin-Fa Chiu	5	0	5	100%	
Independent Director	David Ching	5	0	5	100%	
Independent Director	Wei-Kan Chen	5	0	5	100%	
Independent Director	Mao-Jung Wang	5	0	5	100%	

The attendance status of the Independent Directors in 2022 are as follows:

○: Attendance in person △: Proxy attendance \* : Not attended

Date	Term	David Ching	Wei-Kan Chen	Mao-Jung Wang
March 21, 2022	The 16th meeting of 23rd board	○	○	○



May 13, 2022	The 17th meeting of 23rd board	○	○	○
August 11, 2022	The 18th meeting of 23rd board	○	○	○
November 10, 2022	The 19th meeting of 23rd board	○	○	○
December 20, 2022	The 20th meeting of 23rd board	○	○	○

Other matters required to be recorded:

I. With regard to the implementation of the Board of Directors (2022), 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:

In 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
November 10, 2022	The 19 meeting of the 23rd board	Deliberate the guarantee provided to Shang De Automobile Co., Ltd., reinvested by the Company	Observers were asked to leave the meeting during the discussion and voting of the motion. As Directors Hsing-En Wu, President of Shang De Automobile Co., Ltd., and has the second degree of kinship with Hsin-Hung Wu, respectively, they were both recused from the voting. Before Hsing-En Wu left, he appointed Mao-Jung

			Wang as acting chairman. Upon the acting chairman putting forward the resolution for approval, all attending Directors voted in favor of the proposal without any objections.
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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	From November 1, 2021 to October 31, 2022.	Performance evaluation of the entire Board, individual director, the auditing committee, and the remuneration committee	Internal self-evaluation of the board of direction 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'</p>

				<p>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>
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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 2022 year. conduct the company's audit report and explanation, after discussion and communication, the independent directors have no objections.
- (2) In 2022, 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 have no opinion.
- (3) On December 20, 2022, the board of directors made a report on the integrity operation in 2022.
- (4) On December 20, 2022, the board of directors issued the annual risk

management report in 2022.

- (5) On December 20, 2022, the board of directors made a report on the implementation of the 2022 annual intellectual property management plan.
- (6) On December 20, 2022, the board of directors made a report on the communication with stakeholders in 2022.
- (7) On December 20, 2022, the board of directors made a report on the promotion of sustainable development in 2022.
- (8) The board of directors conducted performance evaluation in November 2022 and increased the scope of performance evaluation, including the Remuneration Committee. On March 9, 2023, the board of directors reported the evaluation results.
- (9) In 2023, a written specification was formulated for the operation related to financial business between related parties, including transaction management procedures such as purchase and sale of goods, acquisition or disposal of assets, and major transactions should be approved by the board of directors and approved or reported by the board of shareholders.

## (II) Operation of Audit Committee

A total of 5 meetings of the Audit Committee were held in 2022. The attendance of independent directors is as follows:

Title	Name	Number of attendance in person (B)	Number of times by proxy	Number of attendance in person (A)	Attendance Rate (%) (B/A)	Remark
Independent Director	David Ching	5	0	5	100%	
Independent Director	Wei-Kan Chen	5	0	5	100%	
Independent Director	Mao-Jung Wang	5	0	5	100%	

Other matters required to be recorded:

### I. Annual key functions

The Audit Committee of the Company consists of 3 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 five meetings in 2022. 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. Acquiring or disposing of right-of-use assets from affiliated companies
6. Revision of Internal Control System

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

The Audit Committee hereby presents the Company's 2021 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, 2021, 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

The audit committee is authorized to supervise the independence of certified public accountants to ensure the fairness of financial statements. To ensure the independence of CPA firm, the audit committee at least evaluates once the independence and competence of CPAs, drafts an independent evaluation form by reference to Article 47 of the Accountants Act and No. 10 "Integrity, Impartiality, Objectivity and Independence" of Code of Professional Ethics for Certified Public Accountants, and evaluates whether the CPA is a related party, has business or financial interests with the Company in terms of the evaluation of the independence, professionalism and competence of the CPA. The independence statement shall be made in accordance with No. 10 "Integrity, Impartiality, Objectivity and Independence" of Code of Professional Ethics for Certified Public Accountants. The 8rd meeting of the 2nd audit committee on March 21, 2022 and the 16th meeting of the 23rd board of directors on March 21, 2022 deliberated and approved that CPA Li-Huang Li and Jui-Chuan Chih from Deloitte & Touche meet the independence standards and are qualified for acting as CPA of the Company.

■ Acquiring or disposing of right-of-use assets from affiliated companies

The Company intends to continue to lease the real estate assets acquired from related parties due to business needs. The case was decided by the Ninth Audit Committee of the second session on May 13, 2022 and the 17th Board of Directors of the 23rd session on the same day to authorize the chairman's plenipotentiary representative to handle necessary matters.

■ Revision of Internal Control System

On March 21, 2022, the second session of the eighth audit Committee adopted a resolution to revise the organizational structure of the company.

December 20, 2022 at the 12th session of the second Audit Committee, the decision was passed to amend the company's internal material information processing procedures and internal audit implementation rules, and to apply for suspension and resumption of trading operations procedures and internal audit implementation rules.

III. 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
March 21, 2022	The 8th meeting of the 2nd board	1. Deliberated the proposal for the Company's 2021 Business Report and Financial Statements.	None	When discussing and voting this proposal, after 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.
		2. Deliberate the Company's 2021 earnings distribution proposal	None	When discussing and voting this proposal, after 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.
		3. Deliberate the proposal for evaluating independence and competence of Certified Public Accountants	None	When discussing and voting this proposal, after 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.
		4. Deliberate the proposal for the Company's 2021 Statement on Internal Control System.	None	When discussing and voting this proposal, after 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.
		5. Deliberate and revise the organizational structure of the Company	None	When discussing and voting this proposal, after 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.
		6. Deliberate and revise the "Procedures for Acquisition or Disposal of Assets".	None	When discussing and voting this proposal, after 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.
May 13,	The 9th	1. Deliberate the	None	When discussing and voting this



2022	meeting of the 2nd board	consolidated financial report of the Company for the first quarter of 2022		proposal, after 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.
		2. Deliberate the increase of equity investments in Chyang Sheng Vietnam Co., Ltd.	None	When discussing and voting this proposal, after 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.
		3. Deliberate and revise the "Procedures for Acquisition or Disposal of Assets " of the subsidiary, Shinkong Asset Management Co., Ltd.	None	When discussing and voting this proposal, after 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.
		4. Vote for the proposal of Shinkong Asset Management Co., Ltd. adjusting the budget for building the industry office building at plot No. 200-07, 200-10, 200-11 and 200-12, sub-section 4, Yangming section, Shilin District, Taipei.	None	When discussing and voting this proposal, after 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.
		5. Vote for the proposal of subsidiary Shinkong Asset Management Co., Ltd establishing	None	When discussing and voting this proposal, after the present personnel are asked to leave, upon the chairman putting forward the resolution for approval, all

		ratification.		attending members voted in favor of the proposal without any objections.
August 11, 2022	The 10th meeting of the 2nd board	1. Deliberate the consolidated financial report of the Company for the Second quarter of 2022	None	When discussing and voting this proposal, after 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.
		2. Vote for the proposal of subsidiary of Shinkong Asset Management Co., Ltd. for adjusting the industry office building plan at plot No. 200-07, 200-10, 200-11 and 200-12, sub-section 4, Yangming section, Shilin District, Taipei, due to changes in land nature and increasing salary.	None	When discussing and voting this proposal, after 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.
November 10, 2022	The 11th meeting of the 2nd board	1. Deliberate the consolidated financial report of the Company for the Third quarter of 2022	None	When discussing and voting this proposal, after 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.
		2. Deliberate the guarantee provided to Shang De Automobile Co., Ltd., reinvested by	None	When discussing and voting this proposal, after the present personnel are asked to leave, upon the chairman putting forward the resolution for approval, all

		the Company		attending members voted in favor of the proposal without any objections.
December 20, 2022	The 12th meeting of the 2nd board	1. Deliberate the Company's 2023 annual audit plans.	None	When discussing and voting this proposal, after 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.
		2. Deliberate and revise the Company's internal procedures for handling material information and the addition of the Legal Office as a dedicated unit for handling material information	None	When discussing and voting this proposal, after 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.
		3. Deliberate and revise the Company's application for suspension and resumption of trading procedures	None	When discussing and voting this proposal, after 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.

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) The communication between independent directors and internal audit officer

1. Communication policy between independent directors and internal 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
March 21, 2022 Audit communication meeting  (before the audit committee)	David Ching, Wei-Kan Chen, Mao-Jung Wang	October 2021-January 2022 audit business report and description.	After discussion and communication, the independent directors have no objections.
May 13, 2022 Audit communication meeting  (before the audit committee)	David Ching, Wei-Kan Chen, Mao-Jung Wang	February 2022-March 2022 audit business report and description.	After discussion and communication, the independent directors have no objections.
August 11, 2022 Audit communication meeting  (before the audit committee)	David Ching, Wei-Kan Chen, Mao-Jung Wang	April 2022-June 2022 audit report and description.	After discussion and communication, the independent directors have no objections.
November 10, 2022 Audit communication meeting  (before the audit committee)	David Ching, Wei-Kan Chen, Mao-Jung Wang	July 2022- September 2022 audit 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

officer

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 results
March 21, 2022 Meeting on key audit matters (before the audit committee meeting)	David Ching, Wei-Kan Chen, Mao-Jung Wang	CPA's explanation on key audit report items of financial statements in 2021.	None
December 20, 2022 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 2022 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 released 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	V	-	(II) The Company makes the list of the major shareholders who actually control the Company and the ultimate	(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	
controlling power as well as the ultimate owners of those major shareholders?			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.	
(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.



Evaluation Item	Implementation Status			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and Reasons Thereof
	Yes	No	Description	
(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.
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?	V	-	(I) Please refer to the “Diversity and Independence of the Board” section on page 18 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.	(I) Without deviation.
(II) Other than Compensation and	-	V	(II) The Company has not set up other functional	(II) It plans to set up a





Evaluation Item	Implementation Status			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
	Yes	No	Description	
Audit Committees which are required by laws, does the Company plan to set up other functional committees?			committees. It plans to set up a ESG Committee and other functional committees to meet the needs of the organizational and operational environment in 2023.	ESG Committee and other functional committees to meet the needs of the organizational and operational environment in 2023.
(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 2022. The	(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>evaluation period was from November 1, 2021 to October 31, 2022, and the performance evaluation results were submitted to the board of directors on March 9, 2023.</p> <p>Please refer to the Investor section of our website for the evaluation content and results.</p> <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 13th meeting of the 2nd term of Audit Committee</p>	(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																												
			<p>on March 9, 2023 and submitted to the 21st meeting of the 23th term of Board of Directors on March 9, 2023.</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><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></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	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	
Evaluation Item	Result (Yes/No)	Meet independence status? (Yes/No)																													
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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><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>			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	
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 complying with	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		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	
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>directors and other matters stipulated in the Articles of Incorporation or contracts of the Company.</p> <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 2022, corporate governance director will focus on the following work:</p> <ol style="list-style-type: none"> <li>1. Go through 2022 corporate change registration.</li> <li>2. Provide continuous learning information for board members, and invite external lecturers to assist in completing the learning courses.</li> <li>3. Purchase the “directors, supervisors and managerial</li> </ol>	



Evaluation Item	Implementation Status			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
	Yes	No	Description	
			<p>officers liability insurance”.</p> <p>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.</p> <p>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.</p> <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. To implement corporate governance, the performance evaluation of the board of directors and functional committees is conducted in accordance with Article 37 of Corporation Governance Best Practice Principles for</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>TWSE/TPEX Listed Companies and the performance evaluation measures of the board of directors of the Company, and the evaluation results are posted on the Company's website and annual report.</p> <p>8. Respond to the requirements of directors, assist directors in performing their duties and improve the efficiency of the board of directors.</p> <p>(IV) Continuing education of the corporate governance officer in 2022</p> <table border="1"> <thead> <tr> <th>Date</th><th>Host</th><th>Class</th><th>Duration</th><th>Total Number of Hours of Continuing Education in the Year</th></tr> </thead> <tbody> <tr> <td>2022/04/20</td><td>Shinkong Textile Co., Ltd.</td><td>New information of securities acts and regulation of related-party transactions</td><td>2 hours</td><td>2 hours</td></tr> <tr> <td>2022/05/13</td><td>Shinkong Textile Co.,</td><td>From the Draft Amendment to the</td><td>2 hours</td><td>4 hours</td></tr> </tbody> </table>	Date	Host	Class	Duration	Total Number of Hours of Continuing Education in the Year	2022/04/20	Shinkong Textile Co., Ltd.	New information of securities acts and regulation of related-party transactions	2 hours	2 hours	2022/05/13	Shinkong Textile Co.,	From the Draft Amendment to the	2 hours	4 hours	
Date	Host	Class	Duration	Total Number of Hours of Continuing Education in the Year															
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2022/05/13	Shinkong Textile Co.,	From the Draft Amendment to the	2 hours	4 hours															



Evaluation Item	Implementation Status						Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof	
	Yes	No	Description					
				Ltd.	Enterprise Merger and Acquisition Act			
			2022/06/10	Taiwan Stock Exchange Corporation (TWSE)	2022 Insider Trading Prevention Seminar	3 hours	7 hours	
			2022/07/07	Taiwan Stock Exchange Corporation (TWSE) and Taipei Exchange (TPEX)	Sustainable Development Roadmap Industry Promotion Seminar	2 hours	9 hours	
			2022/11/18	Accounting Research and Development Foundation	Driving green transition: towards net zero carbon emissions	3 hours	12 hours	
V. Does the company establish communication channels and a dedicated section on the company website for stakeholders (including but not limited to shareholders, employees, customers, and suppliers) to	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					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	
respond to material sustainable development issues in a proper manner?			of Taishin Securities, a stock affairs agency appointed by the Company. (II) The stakeholder page has been set up on the Company's website. ( <a href="https://sites.google.com/view/sktextile">https://sites.google.com/view/sktextile</a> ).	
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 ( <a href="http://www.sktextile.com.tw">http://www.sktextile.com.tw</a> ) 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	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	(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	
collection and disclosure, implementing spokesperson system, uploading investor conference recordings to the corporate website)?  (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	the Company's website. ( <a href="http://www.sktextile.com.tw">http://www.sktextile.com.tw</a> )  (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	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	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	
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 purchase of liability insurance for directors and supervisors)?			<p>interests.</p> <p>(II) Employee care: Set up an employee benefit committee, 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 the employee health examination. In addition, employees may apply for maternity leave, paternity leave and parental leave according to laws. In 2022, employees could travel to Matsu, Yilan, Miaoli CMP Village, Liuqiu, etc. for tourism.</p> <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</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>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 2022, the Company agreed to have employees apply for flexible working hours for childcare reasons.</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) Supplier relationship: built on long-term cooperation with suppliers, the Company establishes a good relationship with suppliers and suppliers provides products that meet the needs of the Company. From time to time, the Company invites suppliers to exchange on market conditions and holds technical seminars. The supplier evaluation is conducted every year. The Company will provide guidance to suppliers with poor</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>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>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 2022. For the suppliers audited by the 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</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>directors of the Company on relevant corporate governance courses has been reported at the public information observatory in accordance with regulations. Please refer to note 2 "training of directors in 2021" for details.</p> <p>(VII) Implementation of risk management policies and risk measurement standards: the Company has established internal control and internal audit systems, and carries out various risk management and evaluation anytime. 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</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>management policies and procedures" was 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 discrimination, 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 20, 2022 (the 20th meeting of the 23rd term of Board of Director)</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&amp;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,</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>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>	
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 9th Corporate Governance Evaluation in 2022 is as follows:				
No.	Indicator		Improvement	
I. To maintain shareholders' rights and treat shareholders equally				
1.6	Will the company hold a general meeting before the end of May?		The Company’s 2023 annual general meeting is scheduled for May 26	





Evaluation Item	Implementation Status			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
	Yes	No	Description	
No.	Indicator		Priority of pending issues	
I. To maintain shareholders' rights and treat shareholders equally				
1.17	Does the Company have no government agency or single corporate organization and its subsidiaries accounting for more than one third of seats in the Board of Directors? [If the Company does not have a government agency, legal person or its representative acting as a director, an additional point will be added to the total.]		The planned number of seats of a single corporate organization in the Board of Directors shall not exceed one third of the total number of seats of the Board of directors	
II. To strengthen the structure and operation of the Board				
2.14	Has the Company set up a non-statutory functional committee other than the Nomination Committee, the Risk Management Committee or the Sustainable Development Committee with at least three members, more than half of whom are independent directors, and more than one of whom has the required professional competence of the committee, and disclosed its composition, responsibilities and operation?		A Sustainable Development Committee is planned to be set up in 2023.	
III. To enhance information transparency				
3.6	Does the Company disclose the interim financial		Priority improvement is expected from 2023 onwards	



Evaluation Item		Implementation Status		Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
		Yes	No	
	report in English within two months after the deadline for filing the Chinese interim financial report?			
3.20	Is the Company invited to hold at least two corporate presentations (on its own), with at least three months between the first and last corporate presentation in the audited year? [If a corporate presentation is held at least once a quarter or if a corporate presentation is held for each quarter's operation, an additional point will be added to the total score.]			Priority improvement is expected from 2023 onwards
<b>IV. To promote sustainable development</b>				
4.4	Will the Company prepare and disseminate the sustainable development report on the MOPS and the company website by the end of September in accordance with the Global Reporting Initiative (GRI) Guidelines published by the GRI? [If the sustainable report discloses relevant ESG information by referring to the SASB guidelines, an additional point will be added to the total score.]			The Company will prepare and disclose sustainable reports from 2023 onwards
4.11	Has the Company disclosed its annual greenhouse gas (GHG) emissions, water consumption and the			Priority improvement is expected from 2023 onwards



Evaluation Item			Implementation Status		Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
			Yes	No	
		total weight of waste in the past two years? [If the previous two years' annual greenhouse gas emissions, water consumption or total waste weight are verified by an external validator, one point will be added to the total score.]			
	4.18	Does the Company follow the Task Force on Climate-related Financial Disclosures (TCFD) to disclose information on corporate governance of climate related risks and opportunities, strategies, risk management, indicators and targets?			The improvement is expected to be prioritized from 2023 and disclosed in the sustainable development report published in 2023



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 was 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: Continuing education of directors in 2022

Title	Name	Date	Host	Class	Duration	Total Number of Hours of Continuing Education in the Year
Chairman	Hsing-En Wu	2022/08/08	Corporate Operating and Sustainable Development Association	Global trends and business opportunities of low carbon economy and corporate low carbon innovation	3.0	6.0
		2022/11/07	Corporate Operating and Sustainable Development Association	Trend of ESG and the epidemic environment on global tax reform and corporate tax governance	3.0	
Director	Hsin-Hung Wu	2022/08/08	Corporate Operating and Sustainable Development Association	Global trends and business opportunities of low carbon economy and corporate low carbon innovation	3.0	6.0
		2022/10/28	Securities and Futures Institute	2022 Insider Trading Prevention Seminar	3.0	
Director	Chin-Fa Chiu	2022/10/26	Securities and Futures Institute	Workshop on Equity Trading Compliance for Insiders of Publicly Listed Companies for 2022	3.0	6.0
		2022/12/09	Accounting Research and Development Foundation	The “struggle for the right to operate companies” related legal responsibilities	3.0	
Director	Po-Han Lin	2022/03/29	Taiwan Academy of Banking and Finance	Directors and Supervisors Practice and Corporate Governance Workshop	3.0	12.0
		2022/04/22	Taiwan Institute for Sustainable Energy	Taishin 30 Sustainable Net Zero Summit Forum - Serious Net Zero for Sustainable 2030	3.0	
		2022/08/26	Taiwan Academy of Banking and Finance	Directors and Supervisors Practice and Corporate Governance Workshop	3.0	
		2022/09/27	Taiwan Insurance Institute (TII)	Transformation Opportunity of IFRS17	3.0	
Independent Director	David Ching	2022/10/19	Securities and Futures Institute	Workshop on Equity Trading Compliance for Insiders of Publicly Listed Companies for 2022	3.0	6.0
		2022/12/09	Accounting Research and Development Foundation	The “struggle for the right to operate companies” related legal responsibilities	3.0	
Independent Director	Wei-Kan, Chen	2022/04/07	Independent Director Association Taiwan	How to analyze financial statements to assess the business ability, performance and risks of a company?	3.0	6.0
		2022/12/06	Taiwan Corporate Governance Association	How to understand the financial statements for the management of the company	3.0	



Independent Director	Mao-Jung Wang	2022/03/29	Taiwan Academy of Banking and Finance	Directors and Supervisors Practice and Corporate Governance Workshop	3.0	6.0
		2022/04/22	Taiwan Institute for Sustainable Energy	Taishin 30 Sustainable Net Zero Summit Forum - Serious Net Zero for Sustainable 2030	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. Formulate and regularly review the policies, systems, standards and structures of performance evaluation and remuneration of directors and managerial officers, 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 28, 2023

Title	Qualifications	Professional Qualification and Work Experience	Independence	Number of Other Public Companies in Which the Individual is Concurrently Serving as an Compensation Committee Member
	Name			
Independent Director	David Ching	The Remuneration Committee of the Company consists of two independent directors and one	All remuneration committee members meet the following conditions:	0
Independent Director	Wei-Kan Chen			0



Others	Chi-Yen Liang	expert member. Please refer to the attached schedule for the professional qualifications and experience of the members	<p>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)</p> <p>2. They (or in the name of others), their spouse and minor children do not hold shares of the Company</p> <p>3. Do not 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</p>	3
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Schedule: 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	USA	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 (Outgoing)	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 Steamship Corporation. Member of the 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. Remuneration Committee

(1) The Company's Remuneration Committee comprises three members.

(2) The term of office for the 5th committee: from July 9, 2020 to June 18, 2023. The Compensation Committee convened three meetings in recent year. The attendance of members is as follows:

Title	Name	Attendance in Person	Number of times by proxy	Required to attend	Attendance Rate (%)	Remark
Convener	David Ching	3	0	3	100%	
Committee Member	Wei-Kan Chen	3	0	3	100%	
Committee Member	Chi-Yen Liang	3	0	3	100%	

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	Session			
2022/03/21	The 5th term The 6th Meeting	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 2021 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.
		Review the Company's 2022 annual remuneration adjustment plan.	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.
2022/05/13	The 5th term The 7th Meeting	Review the remuneration of the proposed president 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.
2022/08/11	The 5th term The 8th Meeting	Review the principles for the distribution of 2021 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	Reported to the Board and approved by all attending Directors.

			Chairman. Thus, it was approved as proposed.	
		Appointment of Associate Manager of Marketing Division	The proposal on the appointment and compensation of the Associate Manager of Marketing Division was approved as proposed by attending members upon enquiry made by the Chairman.	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

Evaluation Item	Implementation Status			Gaps with the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies and root causes
	Y es	N o	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	-	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 deputy general manager acts as the convener. ESG promotion group (Environment, Social and Governance 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	Without deviation.

Evaluation Item	Implementation Status			Gaps with the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies and root causes
	Y es	N o	Description	
			<p>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.</p> <p>The ESG Promotion Group (Environment, Social and Governance 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 Board of Directors at least once a year on its work plan and handling status. The last report of the Board of Directors is dated: the 20th meeting of the 23rd term of Board of Director on December 20, 2022.</p> <p>The main themes of the ESG Promotion Group (Environment, Social and Governance Promotion</p>	

Evaluation Item	Implementation Status			Gaps with the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies and root causes
	Y es	N o	Description	
			<p>Group): zero fee for migrant workers, environmental sustainable development, energy saving, carbon and water conservation, and waste water recycling policy.</p> <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"> <li>1. Zero fee for migrant workers and direct state-to-state employment policies have positive effects on promoting international human rights policies.</li> <li>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 2023.</li> <li>3. Continue to develop and promote recyclable materials.</li> <li>4. Assist the supply chain in</li> </ol>	

Evaluation Item	Implementation Status			Gaps with the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies and root causes
	Y es	N o	Description	
			recognizing social responsibility, human rights, environmental protection, carbon rights, climate change, and regulatory risks.	
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>	Without deviation.



Evaluation Item	Implementation Status			Gaps with the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies and root causes							
	Y es	N o	Description								
			<table> <tr> <th>Material issue</th> <th>Assessment Item</th> <th>Risk Management Policy or Strategy</th> </tr> <tr> <td rowspan="2">Environmental protection</td> <td rowspan="2">Environmental protection</td> <td>           1. The Company formulates annual implementation plans and programs, track and review the progress of each target regularly to ensure that the target is achieved.             2. The Company obtains ISO14001 environmental management system certification and establish, implement, maintain and continue to improve it in accordance with its requirements to achieve expected results, including improving the environmental performance of the organization.             3. It continues to implement environmental policies and make improvements to the processes and equipment to effectively reduce energy waste and carbon emissions.             4. It introduces smart meters for equipment energy consumption management to grasp equipment power consumption information and formulate more accurate power consumption strategies.             5. Install water cooling valves to prevent steam leakage and reduce natural gas consumption.             6. We have implemented the Infinity Shirt Project (ISP), through which we recycle PET bottle, textile waste, and discarded clothing and then re-make them into functional and eco-friendly fabrics through physical and chemical recycling technologies; then, place them back into the clothing production chain to achieve a sustainable cycle and zero waste.         </td> </tr> <tr> <td></td> </tr> </table>	Material issue	Assessment Item	Risk Management Policy or Strategy	Environmental protection	Environmental protection	1. The Company formulates annual implementation plans and programs, track and review the progress of each target regularly to ensure that the target is achieved.  2. The Company obtains ISO14001 environmental management system certification and establish, implement, maintain and continue to improve it in accordance with its requirements to achieve expected results, including improving the environmental performance of the organization.  3. It continues to implement environmental policies and make improvements to the processes and equipment to effectively reduce energy waste and carbon emissions.  4. It introduces smart meters for equipment energy consumption management to grasp equipment power consumption information and formulate more accurate power consumption strategies.  5. Install water cooling valves to prevent steam leakage and reduce natural gas consumption.  6. We have implemented the Infinity Shirt Project (ISP), through which we recycle PET bottle, textile waste, and discarded clothing and then re-make them into functional and eco-friendly fabrics through physical and chemical recycling technologies; then, place them back into the clothing production chain to achieve a sustainable cycle and zero waste.		
Material issue	Assessment Item	Risk Management Policy or Strategy									
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Evaluation Item	Implementation Status			Gaps with the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies and root causes
	Y es	N o	Description	
			7. In order to achieve the goal of environmental sustainable development, the group uniform department launched the ISP (recyclable uniform) project, using functional fabrics made from recycled PET bottles, which are environmentally friendly, comfortable, and durable. Going with environmentally friendly packaging and accessories, the whole uniform can be 100% recycled. In addition, the original functional and recyclable materials are not reduced when remanufactured for the second time, achieving the goal of “limited resources, unlimited recycling” and truly “zero waste”.	
			<div>Social</div> <div>Occupational safety</div> <ol style="list-style-type: none"> <li>1. We regularly declare the safety of our factory buildings in accordance with the law.</li> <li>2. We inspect work safety daily and hold an occupational safety meeting quarterly to discuss safety and health plans and review the implementation.</li> <li>3. We regularly hold fire safety exercises and occupational safety education and training every year to enhance employees' awareness of occupational safety and response.</li> <li>4. During the obtaining of the ISO45001 occupational health and safety management system, we identify hazards and risks in the work environment and formulate prevention and control policies to avoid occupational safety problems.</li> </ol>	

Evaluation Item	Implementation Status			Gaps with the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies and root causes
	Y es	N o	Description	
			Product safety	<ol style="list-style-type: none"> <li>1. Our products are in compliance with regulations on products and services of the government and brand owners.</li> <li>2. The textiles and fabrics we produce are in compliance with the applicable regulations, including ZDHC and BLUESIGN. We exclude raw materials or chemical ingredients containing generally banned substances from the process at the beginning to ensure product quality and safety.</li> <li>3. To ensure customer' rights and interests and the quality of services, the Corporation has established customer complaints response regulations and has set up a customer service hotline and a website for communication.</li> </ol>
			Human rights policy	<ol style="list-style-type: none"> <li>1. In accordance with Taiwan's labor laws and regulations, and with reference to the regulations of the International Labor Organization (ILO), we will establish employment commitments that are in line with ethical and fair regulations and eliminate any human rights violations.</li> <li>2. We promote the direct employment program for Indian migrant workers and implement the Zero Fee for Migrant Worker policy.</li> <li>3. We hold regular educational training courses on forced labor prevention and related issues every year. In 2022, Dayuan Factory cooperated with brand owners to conduct questionnaire-based training on responsible work environment, forced labor and responsible recruitment, with a</li> </ol>

Evaluation Item	Implementation Status			Gaps with the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies and root causes									
	Y es	N o	Description										
			<table border="1"> <tr> <td></td> <td></td> <td>100% participation rate.</td> </tr> <tr> <td></td> <td>Stakeholder communication</td> <td>1. We establish various communication channels to actively communicate and reduce confrontation and misunderstanding. Through the contact window, a dedicated person is assigned to respond to relevant communication issues.</td> </tr> <tr> <td>Governance</td> <td>Strengthening of directors' competencies and fulfilling of their responsibilities</td> <td> 1. To make directors aware of their legal responsibilities and rights and interests, we plan relevant training issues for directors.  2. We purchase liability insurance for directors and managers to prevent them from being sued or claimed against when executing business tasks during the performance of duty of care as a good manager. </td> </tr> </table>			100% participation rate.		Stakeholder communication	1. We establish various communication channels to actively communicate and reduce confrontation and misunderstanding. Through the contact window, a dedicated person is assigned to respond to relevant communication issues.	Governance	Strengthening of directors' competencies and fulfilling of their responsibilities	1. To make directors aware of their legal responsibilities and rights and interests, we plan relevant training issues for directors. 2. We purchase liability insurance for directors and managers to prevent them from being sued or claimed against when executing business tasks during the performance of duty of care as a good manager.	
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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	(I)Without deviation.									

Evaluation Item	Implementation Status			Gaps with the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies and root causes
	Y es	N o	Description	
(II) Does the company endeavor to utilize all resources more efficiently and use renewable materials that have low impact on the environment?	V	-	<p>assigned to be responsible for maintaining environmental management.</p> <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. In 2022, we replaced the setting machine with poor production efficiency, added energy-saving nozzle type water removal device, which could not only discharge cold pseudo-water in a sustainable, stable and efficient manner, but</p>	(II) Without deviation.

Evaluation Item	Implementation Status			Gaps with the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies and root causes
	Y es	N o	Description	
			<p>also avoid steam leakage. We also installed digital electricity meters in the factory. By analyzing the data collected by digital electricity meters, we could learn about the power consumption situation of the equipment, and identify abnormal power consumption according to this, so as to reduce the probability of improper power consumption. In addition, we carried out insulation coating engineering on the water tank of the washing machine and the reducing machine in the factory to reduce the equipment temperature loss caused by external temperature and the consumption of power heating. As for Daxi Factory, the height of the lamps in the factory was lowered and the T8 lamps were replaced with LED energy-saving lamps, which can save power up to 39735.36KW/year.</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>	

Evaluation Item	Implementation Status			Gaps with the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies and root causes
	Y es	N o	Description	
			<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 85% 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> <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</p>	

Evaluation Item	Implementation Status			Gaps with the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies and root causes
	Y es	N o	Description	
(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>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> <p>(II) 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</p>	(III) Without deviation.



Evaluation Item	Implementation Status			Gaps with the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies and root causes
	Y es	N o	Description	
			<p>Board of Directors.</p> <p>According to the TCFD framework, we assess the potential climate risk of the Company in four aspects:</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> <p>Immediate risk: mainly single events, including</p>	

Evaluation Item	Implementation Status			Gaps with the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies and root causes
	Y es	N o	Description	
(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	V	-	<p>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> <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</p>	(IV) Without deviation.

Evaluation Item	Implementation Status			Gaps with the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies and root causes												
	Y es	N o	Description													
consumption, or other waste management?			<p>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 FY2018 as the base year, to reduce the carbon intensity by 15% in 2025, and the target by 2022 has be achieved.</p> <ul style="list-style-type: none"> <li>Greenhouse gas emissions for the most recent two years: (Data coverage: all plants)</li> </ul> <p>Unit: tons (CO2e)</p> <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>2.63</td> </tr> <tr> <td>2022</td> <td>2,206</td> <td>17,275</td> <td>1.58</td> </tr> </table> <p>In FY2022, the total greenhouse gas emissions of Scope 1 and Scope 2 were 19,481 tons of CO2e, mainly from electricity emissions in Scope 2, accounting for 49.1% of the</p>	Year	Scope 1	Scope 2	Emissions per unit product (Tone CO2e/m2)	2021	1,939	16,294	2.63	2022	2,206	17,275	1.58	
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	Y es	N o	Description	
			<p>previous emissions, followed by purchased steam accounting for 39.4%.</p> <p>(2) Climate change assessment and response measures 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. The plants adopt ISO14001 system, 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. 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</p>	

Evaluation Item	Implementation Status			Gaps with the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies and root causes
	Y es	N o	Description	
			<p>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. In FY2022, a new type of water separator was installed to reduce steam loss, which uses more durable materials, and is easy to maintain, and keeps recycling condensate cooling water and reusing overflow water from the dyeing area to achieve resource reuse.</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 2022 has be achieved.</p>	

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			<div> <ul style="list-style-type: none"> <li>Water consumption for the most recent two years: (Data coverage: all plants)</li> </ul> <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> </table> <div> <p>(3)The Company attaches great importance to environmental protection. All of our plants have passed ISO14001 environmental management system certification.</p> <ul style="list-style-type: none"> <li>Waste output for the most recent two years: (data coverage: all plants)</li> </ul> <table> <tr> <th>Year</th> <th>Total amount (tonne)</th> <th>Note</th> </tr> <tr> <td>2021</td> <td>36.11</td> <td></td> </tr> <tr> <td>2022</td> <td>106.94</td> <td> <div> 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 </div> </td> </tr> </table> </div> </div>	Year	Total volume (cubic meter)	Percentage of change	2021	80,071		2022	67,484.2	-15.72%	Year	Total amount (tonne)	Note	2021	36.11		2022	106.94	<div> 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 </div>	
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			<div> <div></div> <div></div> <div>production volume</div> </div> <p>Remarks: The Company's waste is not hazardous waste</p> <p>"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.</p> <p>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</p>	

Evaluation Item	Implementation Status			Gaps with the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies and root causes
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			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.	
VI. Social issues (I) Does the company formulate appropriate management policies and procedures according to relevant regulations and the International Bill of Human Rights?	V	-	(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. The scope of the human rights	(I) Without deviation.



Evaluation Item	Implementation Status			Gaps with the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies and root causes
	Y es	N o	Description	
			<p>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><b>(1) Diversity, inclusion and equal work opportunities:</b></p> <ul style="list-style-type: none"> <li>• Prohibit child labor: We comply with local minimum age laws and regulations and do not employ child labor.</li> <li>• 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.</li> <li>• No inhumane treatment: Harassment, physical abuse, or threats thereof are prohibited.</li> <li>• Prohibition of forced labor: We ensure that there is no forced, involuntary labor and that all terms and conditions of employment are voluntary.</li> </ul>	

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			<ul style="list-style-type: none"> <li>• 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.</li> </ul> <p><b>(2) Provide a safe and healthy working environment</b></p> <ul style="list-style-type: none"> <li>• We provide a safe and healthy working environment with zero discrimination and harassment.</li> <li>• We support and assist employees to maintain physical and mental health and work-life balance.</li> <li>• We provide a work environment that complies with environmental regulations and avoids environmental pollution through proper management and technical application.</li> </ul> <p><b>(3) Respect the freedom of association of employees</b></p>	

Evaluation Item	Implementation Status			Gaps with the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies and root causes
	Y es	N o	Description	
(II) Does the company appropriately reflect the business performances or achievements in the employee remuneration policy (including salary,	V	-	<ul style="list-style-type: none"> <li>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.</li> </ul> <p><b>(4) Assist employees to maintain physical and mental health and work-life balance</b></p> <p>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.</p> <p>(II) to protect the rights and interests of employees and motivate employees, relevant measures are adopted below:</p> <p>(1) The Company formulates the policy of employee leave</p>	(II) Without deviation.

Evaluation Item	Implementation Status			Gaps with the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies and root causes
	Y es	N o	Description	
annual leave and other benefits)?			<p>(including leave, childcare leave without pay) in accordance with the Labor Standard Act and the Act of Gender Equality in Employment.</p> <p>(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.</p> <p>(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.</p> <p>(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.</p> <p>(5) The Company regularly evaluates the performance of employees, and gives appropriate rewards to those with excellent performance or</p>	

Evaluation Item	Implementation Status			Gaps with the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies and root causes
	Y es	N o	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>adjusts their salary and position.</p> <p>(6) In the year of 2022, as the performance and profit exceeded the budget target, we distributed profit to the employees at the end of the year based on the individual performance, and the amount of bonus was the highest in all years.</p> <p>(7) In FY2023, we adjusted positions or salaries with reference to work intensity, individual performance, future development and job functions.</p> <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 passes the ISO45001 audit and obtains 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</p>	(III) Without deviation.

Evaluation Item	Implementation Status			Gaps with the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies and root causes
	Y es	N o	Description	
			<p>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. 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 the labor insurance according to laws, the Company purchases the group accident insurance.</p> <p>To promote employee health and safety, the Company employed the</p>	

Evaluation Item	Implementation Status			Gaps with the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies and root causes
	Y es	N o	Description	
			<p>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> <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 organs at all levels, we regularly carry out two disaster rescue</p>	

Evaluation Item	Implementation Status			Gaps with the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies and root causes
	Y es	N o	Description	
(IV) Does the company establish effective career development and training plans for its employees?	V	-	exercises every year. (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.	(IV) Without deviation.
(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.



Evaluation Item	Implementation Status			Gaps with the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies and root causes
	Y es	N o	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	-	(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. 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. The Company conducts annual	(VI) Without deviation.

Evaluation Item	Implementation Status			Gaps with the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies and root causes
	Y es	N o	Description	
			<p>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. 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. 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 2022.</p>	
V. Has the Company,	-	V	In 2023, the Company will make	In FY2023, we

Evaluation Item	Implementation Status		Gaps with the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies and root causes
	Y es	N o	
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?			reference to the internationally accepted report preparation guidelines and guidelines for the preparation of the sustainable development report. 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.
will prepare the sustainable development report. 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: Sponsored the 2021 Apparel Dynamic Exhibition as well as the 61st Anniversary activities of Shih Chien University, Shin Kong Truth Education Foundation provided Chong King High School Family Service Vocational School Poverty Award bursary. (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			

Evaluation Item	Implementation Status			Gaps with the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies and root causes
	Y es	N o	Description	
<p>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.</p> <p>(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.</p> <p>(IV) Gender equality</p> <p>The Company has long attached great importance to employee care and friendly workplace environment. By the publication date of the annual report of 2023, female employees accounted for about 62.7% of the total number of employees, and female directors above associate level accounted for 50%. 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.</p> <p>(V) Environmental protection:</p> <p>1. Improve air emission quality:</p> <p>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.</p> <p>2. Reduce the temperature in the plant:</p> <p>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.</p> <p>3. Recycling of resources:</p> <p>Resource recycling bins are placed in the office and plant areas, which are classified into waste paper, waste iron and aluminum cans, pet bottles and Bento boxes.</p> <p>The qualified manufacturers are invited to regularly recycle and clean them.</p>				

Evaluation Item	Implementation Status			Gaps with the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies and root causes
	Y es	N o	Description	
<p>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.</p> <p>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.</p> <p>6. Use environmentally friendly tableware. The Company encourages colleagues to bring their own environmentally friendly tableware and reduce the use of disposable tableware.</p> <p>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.</p> <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. A total of 378 T8 lamps were replaced with LED type energy-saving lamps in the factory, saving 39,735.36KW/year.</p> <p>8. 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</p>				

Evaluation Item	Implementation Status			Gaps with the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies and root causes
	Y es	N o	Description	
<p>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: For example, we donated NT\$100,000 to the project of helping the elderly at risk organized by the Love the Greatest Charity Light Association, and donated NT\$100,000 to the Shibei Evergreen Association. In FY2022, we donated NT\$200,000 to the Buddhist Tzu-Chi Charity Foundation; we also participated in the project of the Love the Greatest Charity Light Association to help the elderly at risk and sponsored NT\$100,000; we participated in the vegetarian activities of the Tzu-Chi Merit Association to eat vegetarian, protect the environment, and love the earth. 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 FY2022 were</p> <ol style="list-style-type: none"><li>1. In cooperation with the Taipei City Animal Conservation Education Foundation and the Taipei City Zoo, a six-step “Green Action Experience Camp for Carbon Reductionists” was held to echo the Taipei City Government’s goal of “moving toward net zero carbon”, and, in combination with the important ecological systems and animals on earth including tropical rain forests, polar regions, African grasslands and deserts in the zoo, through the process of exploring and experiencing activities in the zoo, aim to arouse the public to change their attitude towards life in daily life, and achieve the purpose of saving energy, reducing carbon and saving water through physical practice.</li><li>2. Together with the Taiwan Nature Conservation Foundation, we responded to the United Nations’ “2030 Sustainable Development Goals” by integrating food and agriculture to implement environmental education and emphasize the relationship between humans and nature. We helped people in need to “eat securely” and to receive adequate care in terms of food and nutrition, mood and satisfaction. We sent 600 kilograms of rice to remote tribes, nursery schools, Kai Chi Nursing Home, and Home of Love, so that people in need can have meals securely.</li></ol> <p>(VIII) Community participation: the Company actively participates in community activities</p>				

Evaluation Item	Implementation Status			Gaps with the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies and root causes
	Y es	N o	Description	
<p>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 office for recycling. Emergency water intake is set for people to take water freely during the dry season</p> <p>(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.</p> <p>(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.</p>				

(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 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 colleagues and directors have signed the declaration of compliance with the integrity management policy	(I) Without deviation.
(II) Does the company establish a risk	V	-	(II) The Ethical Corporate Management Best Practice Principles specifies the	(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	
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"?			<p>following codes of conduct:</p> <ol style="list-style-type: none"> <li>1. Offering and acceptance of bribes.</li> <li>2. Offering Illegal political donations.</li> <li>3. Improper charitable donations or sponsorship.</li> <li>4. Offering or acceptance of unreasonable presents or hospitality, or other improper benefits.</li> <li>5. Misappropriation of trade secrets and infringement of trademark rights, patent rights, copyrights, and other intellectual property rights.</li> <li>6. Engaging in unfair competitive practices.</li> <li>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.</li> </ol>	

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 Corporation shall include in such contracts terms requiring compliance with ethical corporate management policy and that in the event the trading counterparties are involved in unethical conduct, the Corporation	(I) 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	
(II) Does the company establish an exclusively 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	-	<p>may at any time terminate or rescind the contracts.</p> <p>(II)</p> <p>(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 integrity operation, 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 integrity operation policies and prevention plans, assisting the board of directors and management in formulating and supervising the management plan of integrity operation according to the work responsibilities and work scope of each department, and ensuring the implementation of Ethical Corporate Management Best Practice Principles. Report the implementation to the board of directors every year.</p>	(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 FY2022 was presented at the 20th meeting of the 23rd Board of Directors on December 20</p> <p>The implementation of integrity operation in 2021 was reported at the 15th meeting of the 23rd board of directors on December 20, 2021.</p> <p>(2) The integrity management policy was implemented in 2022, 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"> <li>●Strengthen supplier management: The supplier shall sign the letter of commitment of integrity; the suppliers of dyeing auxiliaries have signed a cooperation consent and</li> </ul>	

Evaluation Item	Implementation Status			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and Reason
	Yes	No	Description	
			<p>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.</p> <p>●Education &amp; 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". The signing ratio in new recruits were 100%. There was no internal nor external complaint in 2022. Staff-on-active-duty training: hold lectures on integrity management, send the integrity management information to the whole company by mails and release it on the company's internal bulletin board.</p> <p>●Irregular meeting publicity: continuously promote the Company's relevant integrity management policies and explain the importance of integrity management in business</p>	

Evaluation Item	Implementation Status			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and Reason
	Yes	No	Description	
			<p>management, departmental meetings, production and marketing meetings, etc.</p> <ul style="list-style-type: none"> <li>●A whistleblowing system: Both internal employees and external personnel are encouraged to report dishonesty or misconduct behavior through the report box and report channel for stakeholders on the intranet, with the whistleblowing and appeal measures drafted.</li> </ul> <p>No whistleblowing reports in 2022, either internally or externally.</p> <ul style="list-style-type: none"> <li>●Strengthen information disclosure: disclose information related to integrity operation in the annual report and the company's website.</li> <li>●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 integrity operation, 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</li> </ul>	

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 establish policies to prevent conflicts of interest, provide appropriate communication channels, and implement them accordingly?	V	-	<p>time, and reports to the management to ensure the continuous effectiveness of regulation design and implementation.</p> <p>(3) Continuously strengthen staff education and training and supplier evaluation management in 2022.</p> <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.</p> <p>When a director, supervisor, managerial officer or other stakeholder of the Company attending or present at a board</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>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> <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>	



Evaluation Item	Implementation Status			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and Reason
	Yes	No	Description	
(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,	(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>prevention programs and the consequences of committing unethical conduct.</p> <p>The relevant norms of integrity operation have been included as one of the orientation training items for new employees.</p> <p>In April 20, 2022, we invited Mr. Li-Ping Huang of Cheng Yuan International Law Firm to give a seminar on “New Information on Securities Laws and Regulations and Control of Related Party Transactions“. 2 hours of the seminar were given to all employees of the Company, 17 of whom attended (including insiders and the Corporate Governance Officer).</p> <p>On May 13, 2022, we invited Lawyer Hui-Ling Wang from Cheng Yuan International Law Firm to give a lecture on “From the Draft Amendment to the Enterprise Merger and Acquisition Act”, which lasted for 2 hours, with a total of 11 participants (including insiders and Corporate Governance Officer), including insiders and financial department personnel.</p> <p>In 2022, internal and external</p>	

Evaluation Item	Implementation Status			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and Reason
	Yes	No	Description	
			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 1203 participants, totaling about 2,105 hours.	
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?			(I) The Company has a specific reporting system to encourage colleagues to report any violations of integrity 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			(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	(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	
mechanisms?			standard operating procedures have been formulated. Documentation of case acceptance, investigation processes, investigation results, and relevant documents.	
(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.	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.				

Evaluation Item	Implementation Status			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and Reason
	Yes	No	Description	
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 integrity 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 and.

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	2022/04/20	Shinkong Textile Co., Ltd.	New information of securities acts and regulation of related-party transactions	2 hours
		2022/05/13	Shinkong Textile Co., Ltd.	From the Draft Amendment to the Enterprise Merger and Acquisition Act	2 hours
		2022/06/10	Taiwan Stock Exchange Corporation (TWSE)	2022 Insider Trading Prevention Seminar	3 hours
		2022/07/07	Taiwan Stock Exchange Corporation (TWSE) and Taipei Exchange (TPEX)	Sustainable Development Roadmap Industry Promotion Seminar	2 hours
		2022/11/18	Accounting Research and Development Foundation	Driving green transition: towards net zero carbon emissions	3 hours
Accounting Supervisor (Vice President)	Su-Chuan Ko	2022/10/27~2022/10/28	Accounting Research and Development Foundation in Taiwan	Continuing training course for the accounting supervisor of the issuer's securities firm and stock exchange	12 hours
Accounting Supervisor Job replacement (Manager)	Hsiang-Ju Chen	2022/11/28~2022/11/29	Accounting Research and Development Foundation in Taiwan	Continuing training course for the accounting supervisor of the issuer's securities firm and stock exchange	12 hours
Auditor (Manager)	Ming Hsien Fang	2022/12/07	Institute of Internal Auditors	How to Use Digital Technology to Explore and Improve Operational Processes and Fraud Detection - Practical Discussion on Auditing	6 hours
		2022/12/21	Institute of Internal Auditors	Case Study on the New Position of Internal Audit - Ethical and Legal Meeting	6 hours
Audit Officer Deputy Agent	Ya-Li Huang	2022/11/08	Institute of Internal Auditors	Internal Auditing of Sales and Collection Cycle and Compliance with Laws and Regulations	6 hours
		2022/12/01	Institute of Internal Auditors	Implementation of Management and Auditing of Business Contracts	6 hours



## (IX) Status of Internal Control System

### 1. Statement of Internal Control

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

Date: March 9, 2023

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 2022:

- 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, 2022, 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 9, 2023, 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: 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
2022/06/10	1. Adopt the 2021 Business Report and Financial Statements	
	2. Adopt the proposal on the distribution of surplus for 2021	The record date was set to be August 17, 2022. Distribution was completed by September 7, 2022 pursuant to the resolution of the shareholders' meeting. (Each share was entitled to cash dividend of NT\$1 and the total cash dividends to shareholders amounted to NT\$300,041,280.)
	3. 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 28, 2022 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.



## 2. Board of directors

Date of Meeting	Session	Major Resolutions
2022/03/21	The 16th meeting of the 23rd term	<ol style="list-style-type: none"> <li>1. Review the proposal on the Company's 2021 remuneration distribution plan for directors and employees.</li> <li>2. Review the 2021 business report and financial statements.</li> <li>3. Review the 2021 earnings distribution plan</li> <li>4. Review the 2021 plan of earnings distribution in cash dividends.</li> <li>5. Review the assessment on the independence and competence of CPAs.</li> <li>6. Review the 2021 Statement of Internal Control System.</li> <li>7. Review the minutes of the 6th meeting of the 5th term of the Remuneration Committee</li> <li>8. Review the revised organizational structure of the Company.</li> <li>9. Review the proposal on the amendments to the Company's Articles of Incorporation.</li> <li>10. Review the amendments to the Procedures for the Acquisition or Disposal of Assets of the Company</li> <li>11. Review matters pertaining to the 2022 annual general meeting.</li> <li>12. Review the custodian of the seal and seal for the exclusive use of the endorsement guarantee</li> </ol>
2022/05/13	The 17th meeting of the 23rd term	<ol style="list-style-type: none"> <li>1. Review the consolidated financial report of the Company for Q1 2022</li> <li>2. Review the proposal to increase the shared financing line of NT\$300 million to Bank of Taiwan</li> <li>3. Review the appointment of the President of the Company</li> <li>4. Review the increase of equity investments in Chyang Sheng Dyeing &amp; Finishing Co., Ltd.</li> <li>5. To review the amendments to the "Procedures for Acquisition or Disposal of Assets " of the subsidiary, Shinkong Asset Management Co., Ltd.</li> <li>6. Deliberated the proposal on adjusting the budget of Shin Kong Asset Management Co., Ltd. for building the industry office building at plot No. 200-07, 200-10, 200-11 and 200-12, sub-section 4, Yangming section, Shilin District, Taipei.</li> <li>7. Review and resolve the ratification the commissioned construction plan of self-owned land of subsidiary Shinkong Asset Management Co.,</li> </ol>



Date of Meeting	Session	Major Resolutions
		Ltd.
2022/08/11	The 18th meeting of the 23rd term	<ol style="list-style-type: none"><li>1. Review the consolidated financial report of the Company for Q2 2022</li><li>2. Review the appointment of Associate Manager of Marketing Division</li><li>3. Review the meeting minutes of the Remuneration Committee and the principles for the distribution of rewards to employees and directors.</li><li>4. Review the proposal on amending the Corporate Social Responsibility Best Practice Principles of the Company</li><li>5. Review the proposal on the amendments to some articles of the Regulations Governing the Evaluation of the Performance of the Board of Directors.</li><li>6. Deliberated the proposal on adjusting the budget of Shin Kong Asset Management Co., Ltd. for building the industry office building at plot No. 200-07, 200-10, 200-11 and 200-12, sub-section 4, Yangming section, Shilin District, Taipei. in response to the international raw material increase and domestic serious shortage of workers.</li></ol>
2022/11/10	The 19th meeting of the 23rd term	<ol style="list-style-type: none"><li>1. Review the consolidated financial report of the Company for Q3 2022</li><li>2. Review the proposal on providing guarantee for the Company's reinvestee, Shang De Motor Co., Ltd.</li><li>3. Review the application for increasing the amount of financing by pledging stocks.</li><li>4. Review the proposal on amendments to the Company's Rules of Procedure for the Board Meetings.</li></ol>
2022/12/20	The 20th meeting of the 23rd term	<ol style="list-style-type: none"><li>1. Review the 2023 budget.</li><li>2. Review the Company's 2023 annual audit plan.</li><li>3. Review the amendment to the Company's internal procedures for handling material information and the addition of the Legal Office as a dedicated unit for handling material information.</li><li>4. Review the amendment to the internal material Information handling procedures of the Company's Internal Audit Implementation Rules.</li><li>5. Review the proposal on amendments to the Company's application for suspension and resumption of trading procedures.</li><li>6. Review the application for suspension and resumption of trading operations for revision of the Company's Internal Audit Implementation Rules</li></ol>



- (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 or 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

(In Thousands of New Taiwan Dollars)

Accounting Firm	Name of CPA	Audit Period	Audit Fee	Non-audit Fee (Note)	Total	Remarks
Deloitte & Touche	Li-Huang Li	2022/01/01~	2,600	480	3,080	
	Jui-Chuan Chih	2022/12/31				

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

- (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 15% 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	2022		For the Current Fiscal Year as of March 28, 2023	
		Shares Held Increase (Decrease) number	Shares pledged Increase (Decrease) number	Shares Held Increase (Decrease) number	Shares pledged Increase (Decrease) number
Chairman Director Director Director	Chichen Co., Ltd.	0	0	0	0
	Representative: Hsing-En Wu	0	0	0	0
	Representative: Hsin-Hung Wu	0	0	0	0
	Representative: Chin-Fa Chiu	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	Jui-Nan Chang	0	0	0	0
Executive Vice President	Shu-Ti Chang	0	0	0	0
Vice President	Cheng-Yao Lee(Discharging Date: October 31, 2022)	0	0	N/A	N/A
Vice President	Su-Chuan Ko	0	0	0	0
Assistant Vice	Yung-Hsin Huang	0	0	0	0



Title	Name	2022		For the Current Fiscal Year as of March 28, 2023	
		Shares Held Increase (Decrease) number	Shares pledged Increase (Decrease) number	Shares Held Increase (Decrease) number	Shares pledged Increase (Decrease) number
President					
Assistant Vice President	Chu-Ying Chen	0	0	0	0
Assistant Vice President	Jen-Chung 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		Remarks
	Number of shares	Shareholding ratio (%)	Number of shares	Shareholding ratio (%)	Number of shares	Shareholding ratio (%)	Name	Relation	
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: Tung-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	None
Representative:	1,493,882	0.50	0	0	0	0			





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		Remarks
	Number of shares	Shareholding ratio (%)	Number of shares	Shareholding ratio (%)	Number of shares	Shareholding ratio (%)	Name	Relation	
Tung-Ching Wu								to each other: The director is the same as the representative of the Corporate Chairman.	
Chichen Co., Ltd.	19,650,000	6.54	-	-	-	-	1. Shinkong Synthetic Fibers Corporation	1. The Director and representative of Corporate Director are the same person. Chairman, Director, Supervisor and representative of Corporate Director 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
Representative: Ting Chuang	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 and supervisor of corporate director are the same as the corporate supervisor, the representative of corporate director and the representative of corporate chairman.	None
Representative: Chih-Tien Lo	0	0	0	0	0	0			



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		Remarks
	Number of shares	Shareholding ratio (%)	Number of shares	Shareholding ratio (%)	Number of shares	Shareholding ratio (%)	Name	Relation	
Qian Cheng Yi Co., Ltd.	11,797,300	3.93	-	-	-	-	None	None	None
Representative: Wei-Ping Chiu	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	-	-	-	-	1. He Rui Industrial Co., Ltd.	1. The corporate supervisor, the representative of corporate director and the representative of corporate chairman are the same as the corporate director, the representative of corporate director and the 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

March 28, 2023

Investee business (Note)	Ownership by the Company		Investment by Directors/Managerial Officers and Companies 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.	25,490,646	100.00%	0	0	25,490,646	100.00%
Lian Quan Investment Co., Ltd.	11,192,880	48.89%	0	0	11,192,880	48.89%
SK INNOVATION CO.,LTD.	700,000	100.00%	0	0	700,000	100.00%
Shang De Automobile Co., Ltd.	9,715,000	33.50%	0	0	9,715,000	33.50%
WPI-Hight 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
1066/06	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
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

Note 1: Registration of incorporation.

Note 2: By Official Letter Tai-Cai-Zheng-(I) No. 14858 on December 3, 1985 (1985).

Note 3: By Official Letter Tai-Cai-Zheng-(I) No. 00622 on March 31, 1989 (1989).

Note 4: By Official Letter Tai-Cai-Zheng-(I) No. 02585 on December 26, 1989 (1989).

Note 5: By Official Letter Tai-Cai-Zheng-(I) No. 02449 on October 1, 1990 (1990).

Note 6: By Official Letter Tai-Cai-Zheng-(I) No. 57868 on October 4, 1991 (1991).

Note 7: By Official Letter Tai-Cai-Zheng-(I) No. 27066 on June 10, 1994 (1994).

Note 8: By Official Letter Tai-Cai-Zheng-(I) No. 33108 on June 6, 1995 (1995).

Note 9: Official Letter Jin-Guan-Zheng-(I)-Zi No.0950135735 on August 11, 1996.

Note 10: 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



## (II) Shareholder Composition

Book closure date: March 28, 2023

Shareholder Composition Quantity	Government Agencies	Financial Institutions	Other Legal Entities	Individuals	Foreign Institutions and Foreign Individuals	Total
Number of Persons	0	12	190	15,808	53	16,063
Number of Shares Held	0	7,606,185	238,064,132	49,588,811	4,782,152	300,041,280
Shareholding Ratio	0.00%	2.54%	79.34%	16.53%	1.59%	100.00%

Note: Primary exchange (or OTC) listed companies and emerging stock companies shall disclose their shareholding ratio of investments in Mainland China: N/A.

## (III) Distribution of Shareholding

Par value NT\$10 per share; March 28, 2023

Shareholder Ownership	Number of Shareholders	Number of Shares Held	Shareholding Ratio (%)
1 to 999	12,468	1,480,692	0.49%
1,000 to 5,000	2,715	5,291,746	1.76%
5,001 to 10,000	397	2,776,354	0.93%
10,001 to 15,000	132	1,584,850	0.53%
15,001 to 20,000	68	1,198,588	0.40%
20,001 to 30,000	64	1,573,243	0.52%
30,001 to 40,000	39	1,357,350	0.45%
40,001 to 50,000	18	816,803	0.27%
50,001 to 100,000	49	3,669,424	1.22%
100,001 to 200,000	28	3,979,945	1.33%
200,001 to 400,000	20	5,784,530	1.93%
400,001 to 600,000	9	4,345,564	1.45%
600,001 to 800,000	6	3,948,542	1.32%
800,001 to 1,000,000	8	6,791,502	2.26%
1,000,001 above	42	255,442,147	85.14%
Total	16,063	300,041,280	100.00%



(IV) List of Major Shareholders

Major Shareholders	Shareholding No. of Shares	Ownership % (%)
Shinkong Synthetic Fibers Corporation	28,378,958	9.45
Shin Kong Wu Ho-Su Memorial Hospital	20,979,735	6.99
Chichen 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
He Rui Industrial Co., Ltd.	12,000,000	3.99
Qian Cheng Yi Co., Ltd.	11,797,300	3.93
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	2021	2022	Current year up to March 28, 2023
Market Price per Share (NT\$)	Maximum		45.80	43.10	42.30
	Minimum		36.35	37.20	39.50
	Average		41.51	40.56	40.85
Net Worth per Share (NT\$)	Before Distribution		33.46	39.24	(Note 3)
	After Distribution		32.45	(Note 2)	—
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		1.51	6.92	(Note 3)
Dividends Per Share (NT\$)	Cash dividends		1	(Note 2)	-
	Stock dividends	Dividends from earnings	None	(Note 2)	—
		Dividends from capital reserves	None	(Note 2)	—
	Accumulated Undistributed Dividend		None	(Note 2)	—
Return on Investment	Price/Earnings Ratio		27.28	5.90	—
	Price/Dividend Ratio		41.19	(Note 2)	—
	Cash Dividends Yield		2.43%	(Note 2)	—

Note 1. 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”.

Note 2. To be resolved by the board meeting on April 7, 2023.

Note 3. No financial report has been audited by CPAs for 2023 as of March 28, 2023.

## (VI) Dividend Policy and Implementation Status

### 1. Dividend policy:

Net income of the year, if any, shall be first appropriated to offset accumulated losses (including the adjustments to unappropriated earnings) before allocating 10% of the remaining earnings to the legal reserve. However, this rule is 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 an earnings distribution proposal based on the remaining balance together with unappropriated earnings at the beginning of the period (including the adjustments to 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.

In line with long-term financial planning, the Company adopts a remaining dividend policy in pursue of sustainable and stable business development and takes into account the capital budgets and working capital requirements. Earnings may be distributed in the form of cash and/or stocks. The cash dividends shall not be less than ten percent of the total dividends.

### 2. Implementation status:

To be resolved by the Board of Directors on April 7, 2023, and the relevant information will be announced on the Market Observation





Post System (MOPS) and submitted to the regular meeting of shareholders.

(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

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 compensation to employees and remuneration to 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 1.00% 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 2022 compensation to employees and remuneration to Directors resolved in the Board of Directors' meeting in 2023:

(1) To distribute compensation to employees of NT\$21,800,000 and



remuneration to Directors of NT\$21,800,000.

(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 2022 Board of Directors' meeting resolved to distribute compensation to employees and remuneration to Directors of NT\$9,700,000 each and there were no discrepancies between the actual sum distributed and the recognized amount.

II. Issuance of Corporate Bonds, Preferred Shares, Global Depository Shares, and Employee Stock Option, 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 Knit fabric mills.
- (2)C305010 Printing, dyeing, and finishing mills.
- (3)C306010 Apparel industry.
- (4)C399990 Other textile and product manufacturing mills.
- (5)F102030 Cigarette and wine wholesale.
- (6)F104110 Wholesale of cloths, clothes, shoes, hat, umbrella and apparel, as well as clothing accessories.
- (7)F106020 Wholesale of daily necessities.
- (8)F108040 Wholesale of cosmetics.
- (9)F109070 Wholesale of educational, cultural, musical and entertainment products.
- (10)F203020 Retail of cigarettes and wine.
- (11)F204110 Retail of cloths, clothes, shoes, hat, umbrella and apparel, as well as clothing accessories.
- (12)F206020 Retail of daily necessities.
- (13)F208040 Retail of cosmetics.
- (14)F209060 Retail of educational, cultural, musical and entertainment products.
- (15)F301010 Department stores.
- (16)F399040 Detail business without shops.
- (17)F401010 International trade.
- (18)F401021 Import of restrained telecom radio frequency equipment and materials.
- (19)G202010 Parking garage business
- (20)H701010 Residence and buildings development, leasing, and sale



- (21)H701020 Industrial factory buildings development, leasing, and sale
- (22)H703090 Real estate trading business.
- (23)H703100 Real estate leasing business.
- (24)I301010 Information software services.
- (25)I501010 Product design industry.
- (26)J202010 Industrial development.
- (27)JB01010 Conference and exhibition services.
- (28)ZZ99999 Businesses that are not prohibited or restricted by law, except those which are subject to special approval.



## 2. Proportion of Business:

Main Products	Net Revenue (In Thousands of New Taiwan Dollars)	Weighting (%)
Textile	2,220,377	66%
Retail sale/ Garment	760,688	23%
Rental revenue	367,621	11%
Others	603	-
Total	3,349,289	100%

## 3. Major products/services

- (1) Outdoor high-performance fabrics: sunscreen, windproof, waterproof and breathable, lightweight and warm.
  - (2) Sporty functional fabrics: elastic, moisture-adsorption and quick-drying, breathable, safe and reflective.
  - (3) Fashionable fashion fabrics: Environmental friendly, delicate, soft and attractive in appearance.
  - (4) Various composite multi-functional fabrics: Developed on basis of yarn, 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) Functional blended wool: Using special yarn combinations and finishing processes, blended wool is designed to be used for leisure and sports purposes.
  - (7) Industrial textiles, medical care related products: Wear-resistant, antibacterial and antiviral.
4. New products to be developed: COVID-19, Ukraine-Russia war, interest rate hike... the human community and the entire planet have changed beyond recognition. With the subsequent unsealing and



opening of borders, financial and commercial markets are gradually regaining their pace, new physical and virtual digital business models, environmentally friendly and renewable finance and business ecosystems, and major restructuring is taking place.

The next few years will be critical in addressing the climate emergency. 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. Standing in the right direction of history, the global industry towards the goal of “sustainability” is an irreversible trend. Just as the United Nations set the goal of reducing global carbon by 45% before 2030, every brand and every company hopes to find a solution under the principle of “Integrity Matters” and “transparency”.

The brand side has the responsibility to guide or provide consumers with better options. Therefore, almost all major international brands are interested in developing materials that are more friendly to land, sea and human beings. Whether it is the pineapple leaf fiber of agricultural waste, the carbon supplement polyester fiber made of carbon dioxide fermentation, or the 100% polyester waste cloth and clothing material recycling provided by Shinkong Textile, everything from buttons, yarn, cloth, labels can be recycled... and so on, all give consumers more options.

Sustainable environmental protection of recyclable, renewable and renewable resources plays an anchor role in product development. The main driving force behind this development is the appeal of “functional textiles that are responsible” - environmentally friendly,



energy efficient, carbon efficient and functional comfort. It can be classified into eight main items:

- (1) Recycled PET bottle: recycle PET yarn, which is a basic fabric mainly competitive in price and easy to obtain in the international market, cost-effective for the brands; moreover, it improves the durability of the product to extend the service life, so that the fabric can stand the test of time.
- (2) Closed loop and recyclable: From “waste” to “material”, promoting the concept of “single material” and able to be reused within a “closed loop system”, for example: ISP Shinkong Infinity Shirt Project (ISP).
- (3) Bio-base: Reduce the use of petroleum, use sustainable renewable biomass on yarn ends and finishing agents to reduce dependence on primary petroleum, such as: the use of plant and castor oil...
- (4) Carbon capture: Use Lanzatch’s technology to transform fermentative carbon dioxide into polyester fiber usable EG, which is then remade into yarn.
- (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) Scrap utilization: Reuse pineapple fiber from agricultural waste, tannin leftover materials from garment factories... to give them a newborn.
- (8) Responsible wool: Acquire animal fiber by emphasizing the survival rights of animal, and obtain wool fiber by humane means.



## (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\$8,840 million in 2022, down 2% year-over-year; total import amounted to US\$3,945 million, up 2% year-over-year; and total trade surplus amounted to US\$4,895 million, a decrease of US\$269 million compared to 2021, down 5% year-over-year.

By export value, the main export items were cloth (72%), followed by yarn (13%), fiber (5%), clothing and apparel (5%) and miscellaneous textiles (5%). Of the top five export items, fabrics, which account for the bulk of exports, up only 2%. The rest are now declining, with fibers down 14%, yarns down 9%, clothing accessories down 9% and miscellaneous textiles down 10%. Based on the import value, apparel was the primary import item (accounted for 54% and up 10% year-over-year), followed by fabric (accounted for 15% and up 3%), yarn (accounted for 12% and down 19%), miscellaneous (accounted for 11% and down 0.4%), and fiber (accounted for 8% and down 4%).

Affected by factors such as high inflation, policy tightening and financial market fluctuations, the global economic boom has





become weaker and the inventory adjustment of the industrial chain has continued, which has promoted the negative growth of Taiwan's exports, export orders and production data, impacting the overall demand and sales.

In the textile industry, brand owners continue to destock and place conservative orders. In addition, crude oil prices and rising raw material costs before the Russia-Ukraine war have affected demand and input of raw materials. In addition, due to sustained global inflation, terminal demand remains sluggish and consumers' purchase intention decreased in 2022. Looking forward to this year (2023), brand owners' inventory has a gradual decline trend, making the overall recovery situation optimistic. We will continue to pay attention to the orders and data changes.

Item	Export value (US\$ Hundreds of Millions)	Proportion (%)	Year-over-Year (%)	Export Volume (Tends of Thousands of Tons)	Year-over-Year (%)	Unit Price (US\$/Kg)	Year-over-Year (%)
1. Fiber	4.37	5	-14	32.45	-16	1.35	3
2. Yarn	11.62	13	-9	36.53	-15	3.18	7
3. Fabric	63.54	72	2	65.29	-6	9.73	8
4. Apparel	4.30	5	-9	1.89	-14	22.76	6
5. Miscellaneous	4.57	5	-10	7.61	7	6.00	-16
Total	88.40	100	-2	143.77	-11	6.15	10

Source: TTF Overview of Taiwan's Export and Import of Textile (FY2022)

## 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).

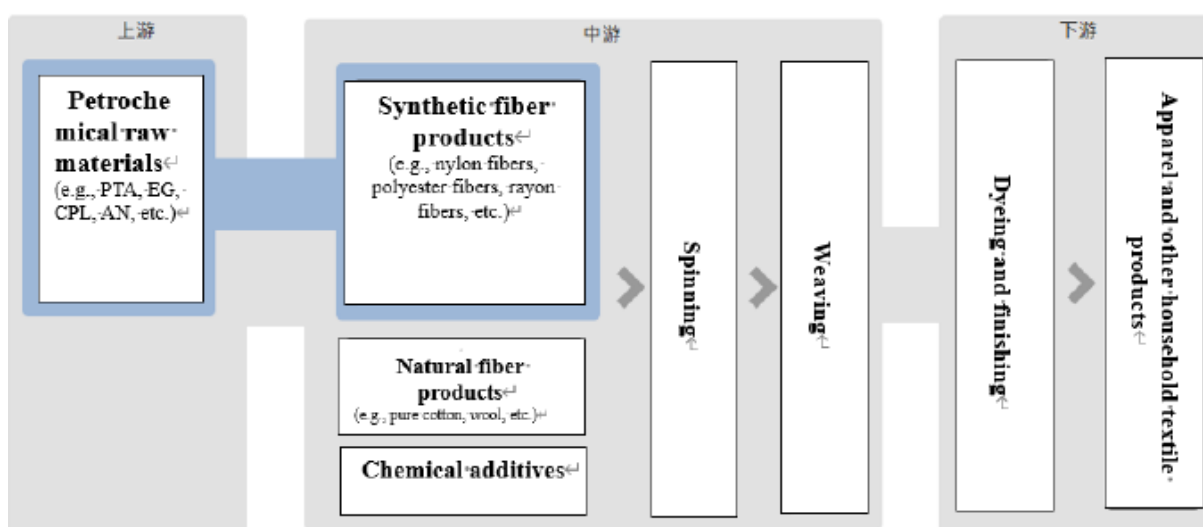
The midstream contains synthetic fiber products, natural fiber products, chemical additives and yarns and fabrics spun and wove by aforementioned materials. Synthetic fiber accounts for 85% of textile produced in Taiwan and of which, polyamide (nylon) and polyester products are the mainstream products. 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 main business of the Corporation is the export of fabrics. At present, the Corporation has competitors with higher homogeneity, as shown in the figure below.

<b>Weaving</b>				
<b>TWSE-listed Companies (18)</b>	*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., Ltd.	*Li Cheng Enterprise Co., Ltd.		
<b>TPEX-listed Companies (2)</b>	*Est Global Apparel Co., Ltd.	*Ensure Global Corp., Ltd.		
<b>Emerging Stock Company (1)</b>	*Mytrex Health Technologies, Inc.			
<b>Well-known foreign companies (3)</b>	*Esquel China Holdings Limited	*Jiangsu Lianfa Textile Co., Ltd.	*LUTHAI Group	

A total of 24 companies

<b>Dyeing and finishing</b>				
<b>TWSE-listed Companies (19)</b>	*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.	
<b>TPEX-listed Companies (2)</b>	*Toung Loong Textile Mfg. Co., Ltd.	*Singtex Industrial Co., Ltd.		
<b>Well-known foreign companies (3)</b>	*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	2021	2022	Current Fiscal Year up to March 28, 2023
R&D expenses	25,941	29,688	5,903

#### 2. Technologies or products developed successfully

- (1) Agricultural waste pineapple fiber: Textile industry is looking for new environmental materials to reduce the impact on environmental land; In addition, the government wants to find solutions to clean up waste on agricultural land and help increase farmers' incomes. This is in line with the goal of "eradicating poverty", the first of the 17 core goals of the Sustainable Development Goals released by the United Nations in 2015, to



“ensure equal access to economic resources for poor and vulnerable groups” and to “strengthen disaster resilience” (to resist agricultural losses from climate change).

“Let agricultural waste become a new material for the circular economy.” is an important key point of development.

Combined with the cool, breathable, UV resistant, and unique natural appearance of phoenix fabrics, Shinkong Textile has developed pineapple fibers into a complete line over the years: From plain knit coats, shirts, knitted T-shirts.

- (2) Environmentally friendly double-sided suede: Special environmentally friendly microfiber suede wool, providing excellent peach velvet touch, but also possess excellent thermal function.
- (3) High-wear-resistance: high-wear-resistance nylon and wool blended weft elastic shirting cloth.

(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) Expand product segmentation and develop high value added markets to enhance competitive advantage.



## II. Overview of Market, Production and Sale

### (I) Market Analysis:

#### 1. Sales Area of Major Products:

##### Marketing Department:

Focusing on renowned apparel brands in the United States and Europe, and developing 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) The cancellation of quota for filament fabrics is favorable to export.
- 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) International oil prices fluctuate sharply.
- 4) Small market scale and numerous competitions restrain the expansion of new brands in Taiwan.
- 5) Consumer preferences change rapidly. Companies need to develop unique and innovative products to attract consumers.
- 6) Russia-Ukraine war, inflation, rising oil prices and rising costs.
- 7) The COVID-19 epidemic, inflation impact, slowed destocking, high market uncertainty, and low consumer buying.

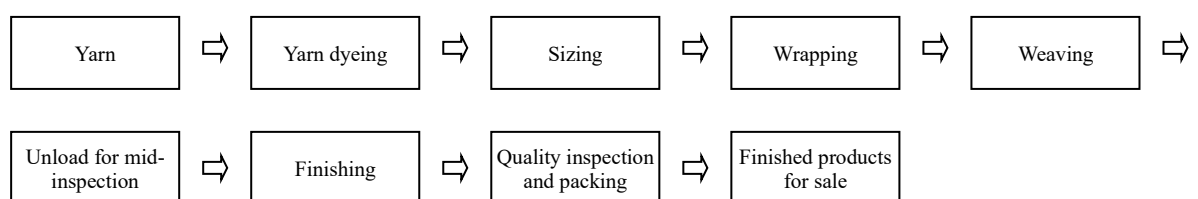
(II) Usage and manufacturing processes for the Corporation's main products:

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 dyed woven and knitted fabrics, piece dyed 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.

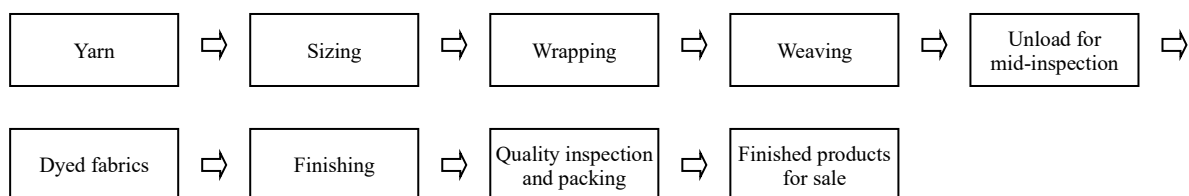
2. Manufacturing process of key products

[Yarn Dyed Fabrics]

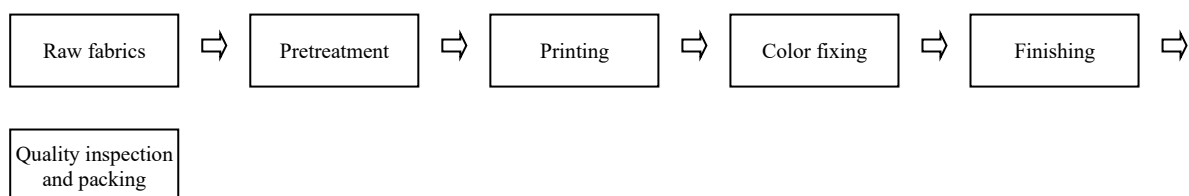




### [Piece Dyed Fabrics]



### [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)

2022					2021				Up to March 28, 2023 (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	358,422	16.29	—	Manufacturer A	371,875	19.48	—	-	-	-	—
-	Others	1,842,312	83.71	—	Others	1,537,111	80.52	—	-	-	-	—
	Net purchases	2,200,734	100.00	—	Net purchases	1,908,986	100.00	—	Net purchases	-	-	—

Note: No financial report has been audited by CPAs for 2023 as of March 28, 2023.

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

2022					2021				Up to March 28, 2023 (Note 2)			
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
Note 1	Net sales	2,981,065	100.00	—	Net sales	2,397,995	100.00	—	Net sales	-	-	—

Note 1: There is no customer accounting for more than 10% of total sales in the most recent two years.

Note 2: No financial report has been audited by CPAs for 2023 as of March 28, 2023.

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

Major Product	2022			2021		
	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	4,316	98,056	4,320	3,783	88,620
Dyeing and finishing finished fabrics	12,000	9,322	301,026	12,000	9,974	308,648

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	2022				2021			
		Domestic sales		Export sales		Domestic sales		Export sales	
		Volume	Value	Volume	Value	Volume	Value	Volume	Value
Blended yarn	Kg	27,083	571	—	—	117,243	16,042	—	—
Fabric	Yard	1,330,123	142,591	18,958,976	2,027,436	1,546,543	113,966	16,081,821	1,597,344
Fabric	Kg	—	—	—	—	41,778	589	—	—
OEM-fabrics		—	20,593	—	—	—	21,775	—	—
Rental income		—	367,621	—	—	—	350,315	—	—
Retail sale/Garment		—	761,978	—	27,797	—	598,368	—	49,886
Others		—	702	—	—	—	629	—	—
Total			1,294,056	—	2,055,233	—	1,101,684	—	1,647,230

### III. Basic Information of Employees

Year		2021	2022	Financial Data in the Current Year up to March 28, 2023
Number of employees	Domestic employees	419	444	442
	Foreign employees	111	118	111
	Total	530	562	553
Average Age		39 years and 11 month	40 years and 5 months	40 years and 8 months
Average Length of Service		5 years and 8 months	5 years and 9 months	5 years and 10 months
Educational Distribution Ratio	PhD	0.38%	0.36%	0.36%
	Master	6.98%	6.23%	6.15%
	College	43.02%	44.31%	44.84%
	High School	40.75%	36.48%	35.99%
	Below High School	8.87%	12.62%	12.66%

### IV. Environmental Protection Expenditures

(I) Losses and punishments suffered due to environmental pollution in the most recent year and as of the date of publication:

(1) Punishment date: October 5, 2022.

(2) Punishment file No.: F.H.J.Z. No. 1110303750.

(3) Violation: The air pollution prevention equipment electrostatic dusting device was not operated in accordance with the licensed content, which violated Paragraph 2, Article 24 of the *Air Pollution Control Act*. In accordance with the Subparagraph 5, Paragraph 1, Article 62 of the *Air Pollution Control Act* and Article 3 and Article 4 of the Guidelines Concerning Fines for Fixed Pollution Sources in Violation of Air Pollution Prevention

Act in Public and Private Places issued by the Environmental Protection Administration, Executive Yuan, a fine of NT\$100,000 was imposed.

(II) Countermeasures:

The Company sent staff to attend environmental lectures and designate appropriate personnel to be responsible for the non-compliance links and timely contact with equipment manufacturers to eliminate the possibility of recurrence.

## 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 this 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 50%.

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 2022, 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 2022, employees could travel to Matsu, Yilan, Miaoli CMP Village, Liuqiu, etc. for tourism.
- (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.

The Company's education and training can be divided into pre-service training for new staff, strengthening training for staff in service, management function training and other types of training. We also strengthen professional training or skill training for special functional staff.

In addition to training for new recruits, the 2022 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 a total of about 2,572 participants and about 4,064 hours of training, and a total cost of about NT\$1,145 thousand.

### 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\$53,331 thousand	Contribution in 2022 amounted to NT\$14,351 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 passes the ISO45001 audit and obtains 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	2021	2022	2021	2022
Representative from employees	6	6	6	6
Representative from management	2	2	2	2
Total	8	8	8	8

Occupational injuries in 2021 and 2022 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	2021		2022		2021		2022	
Gender	Male	Female	Male	Female	Male	Female	Male	Female
Absence Rate (A.R)	0%	0.45%	0.08%	0.12%	0%	0%	0%	0%
Disabling Frequency Rate (FR)	0	0.97	5.5	7.6	0	0	0	0
Disabling Severity Rate (SR)	0	58.33	110.54	145.46	0	0	0	0
Frequency-Severity Indicator (FSI)	0	0.24	0.78	1.05	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 injuryx10<sup>6</sup>)/Total number of working hours  
Disabling Severity Rate = (Total number of days of loss due to disabling injuryx10<sup>6</sup>)/Total number of working hours  
Frequency-Severity Indicator (FSI) = (FRxSR/1000)^(1/2)

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 shock and impact of natural disasters and accidental disasters caused by human factors on operations, the Corporation has established a disaster risk management mechanism with a preventive management attitude, and has developed the "Emergency Response Management Procedures" to avoid or minimize the potential personnel injury, equipment damage and property loss, and the shutdown of operations as a result. In addition to actively participating in various drills organized by agencies at all levels, the Corporation regularly conducts disaster rescue drills twice a year.

6. Other significant agreements: None.

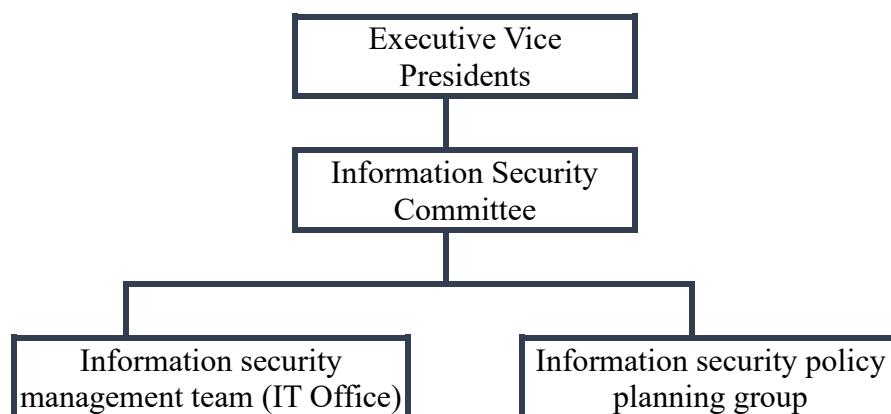
(II) Loss incurred due to industrial dispute in 2020 and as of the date of this annual report: None.



## VI.Information Security Management

### 1.Information security framework

In order to improve the safety management of the Company, the Company has established the Information Security Committee, with the Executive Vice President as the top supervisor of the Committee. Each department appoints the safety representatives to hold the safety management meeting regularly every year, and the information director reports the safety results regularly every year.



### 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:

<b>Information security management measures</b>		
<b>Type</b>	<b>Description</b>	<b>Related measures</b>
<b>Personnel security management</b>	Personnel account, authority management and educational training	<ul style="list-style-type: none"> <li>● Personnel account authority management and approval</li> <li>● Deletion of account after personnel dimission and transfer</li> <li>● Information security education and training</li> </ul>
<b>Computer system security management</b>	System security management, data security management, protection against computer viruses and malware	<ul style="list-style-type: none"> <li>● Setting and control of computer operating system</li> <li>● Daily backup and remote backup of ERP system</li> <li>● Use legal software and keep the virus pattern up to date</li> </ul>
<b>Network security management</b>	Network security planning and management, Network user management, email security management	<ul style="list-style-type: none"> <li>● Establish a firewall and anti-virus system</li> <li>● Regular promotion on information security</li> <li>● Do not open emails from unknown sources</li> </ul>
<b>System access control</b>	Control measures for personnel accessing internal and external systems and data transmission channels	<ul style="list-style-type: none"> <li>● System access is limited to those required to perform business and duties</li> <li>● After opening a system account, the user needs to change the password every six</li> </ul>

<b>Information security management measures</b>		
<b>Type</b>	<b>Description</b>	<b>Related measures</b>
		months <ul style="list-style-type: none"> <li>●Apply for changes in user access, and information can only be modified upon approval</li> </ul>
<b>Security management of information assets</b>	Transfer and scrapping disposal of information assets	<ul style="list-style-type: none"> <li>●All hard disks should be removed before scrapping an information equipment, and the scrapping request form should be recorded before scrapping</li> <li>●Transfer of information equipment shall be recorded in the transfer application form</li> </ul>
<b>Security management of system development and maintenance</b>	Security management of general computer system operations and outsourced operations	<ul style="list-style-type: none"> <li>●Application program updates should be coordinated by each application system owner</li> <li>●Outsourced information vendors should be responsible for security management, and keep confidential</li> </ul>
<b>Physical and environmental security management</b>	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"> <li>●Dedicated personnel are responsible for the computer room for regular maintenance and testing</li> <li>●Provide uninterrupted power system</li> <li>●Access control is implemented for the computer room</li> </ul>
<b>Planning and management of business continuity plans</b>	Backup and recovery operations, information security incident notification and processing mechanism	<ul style="list-style-type: none"> <li>●A test drill for backup and recovery operations should be carried out every year</li> </ul>
<b>Information security audit</b>	Confirm the implementation of information security management activities	<ul style="list-style-type: none"> <li>●Any information security incident is found should be promptly reported to the competent authority and personnel for handling</li> </ul>

#### 4. Input Resources for Information Security

- (1) 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.

- (2) The information department sets up an information security supervisor and appoints information security specialist to check the information security status and cooperates with external information security contractors to check the information security status on a regular basis.
- (3) Supervise the Company's employees to implement the information security protection work of the Company, establish the concept of "everyone is responsible for information security", and improve the business departments and personnel's awareness of information security.
- (4) All employees of the Company and the vendors who use or have access to the Company's computer system are required to strictly comply with the relevant information security regulations of the Company. If there is any violation, in addition to the punishment according to the regulations of the Company or according to the contractual penalties according to the circumstances, legal actions will be taken in serious cases.
- (5) The Company continues to invest resources in the fields related to information security. In 2022, the investments increased by 41% compared with that in 2021. 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.  
The Company also strengthens the remote backup system, and, based on the original disk backup system, has added the use of cloud backup system.
  - It remains investment in purchasing new equipment and importing ATP advanced threat protection system.

- It comprehensively imports Microsoft M365 cloud system to keep the whole company's information security and cloud application abreast of the world.
  - Hosts in the computer room are fully virtualized, enabling efficient and secure host backup and restoration. In case of an exception, the system can quickly resume operations.
  - The Company has also enhanced its spam filtering system, URL link filtering, attachment scanning, mail fraud and phishing mail protection.
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 2022, 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 (Note1)					Financial Data in the Current Year up to Financial Information as of March 28, 2023 (Note 1)
		2018	2019	2020	2021	2022	
Current Assets		2,136,448	2,423,394	2,891,898	5,002,889	5,072,892	-
Property, plant and equipment		564,260	318,639	321,571	417,013	630,474	-
Intangible Assets		1,231	2,752	2,368	2,457	3,270	-
Other assets		9,544,947	10,173,954	10,363,291	10,712,766	10,992,011	-
Total Assets		12,246,886	12,918,739	13,579,128	16,135,125	16,698,647	-
Current liabilities	Before distribution	2,953,189	2,991,784	3,532,018	5,123,044	3,789,321	-
	After distribution	3,207,481	3,291,825	3,832,059	5,423,085	(Note 2)	-
Non-current liabilities		878,198	1,187,807	959,742	1,000,963	1,166,384	-
Total Liabilities	Before distribution	3,831,387	4,179,591	4,491,760	6,124,007	4,955,705	-
	After distribution	4,085,679	4,479,632	4,791,801	6,424,048	(Note 2)	-
Equity Attributable to Owners of the Parent		8,372,292	8,704,392	9,087,364	10,011,118	11,742,942	-
Capital Stock		3,000,413	3,000,413	3,000,413	3,000,413	3,000,413	-
Capital Surplus		5,957	6,916	7,911	8,928	10,010	-
Retained Earnings	Before distribution	2,205,946	2,339,776	2,418,420	2,563,285	4,326,792	-
	After distribution						

	After distribution	1,951,654	2,039,735	2,118,379	2,263,244	(Note 2)	-
Other Equity		3,173,150	3,370,461	3,673,794	4,451,666	4,418,901	-
Treasury Stock		(13,174)	(13,174)	(13,174)	(13,174)	(13,174)	-
Non-controlling Interests		43,207	34,756	4	-	-	-
TOTAL Equity	Before distribution	8,415,499	8,739,148	9,087,368	10,011,118	11,742,942	-
	After distribution	8,161,207	8,439,107	8,787,327	9,711,077	(Note 2)	-

Note 1: No financial report has been audited by CPAs for 2023 as of March 28, 2023.

Note 2: To be resolved by the board meeting on April 7, 2023.



**Condensed consolidated comprehensive income statement -  
International Financial Reporting Standards**  
(In Thousands of New Taiwan Dollars)

<div> <div>Year</div> <div>Items</div> </div>	Financial Information for the Most Recent Five Years					Financial Data in the Current Year up to March 28, 2023 Financial information (Note)
	2018	2019	2020	2021	2022	
Operating Revenue	1,605,981	2,083,581	2,149,213	2,748,914	3,349,289	-
Gross Profit	410,013	594,812	623,122	728,895	918,038	-
Operating Profit (Loss)	(23,768)	113,409	163,447	200,224	300,255	-
Non-operating Income and Expenses	303,224	264,383	232,509	284,849	1,963,266	-
Net profit before tax	279,456	377,792	395,956	485,073	2,263,521	-
Net income (loss) from continuing operations for this period	278,939	378,820	364,492	450,883	2,070,986	-
Loss from Discontinued Operations	-	-	-	-	-	-
Net profit or loss for this period	278,939	378,820	364,492	450,883	2,070,986	-
Other comprehensive income for the period (after tax)	8,309	198,002	325,054	771,891	(40,203)	-
Total Comprehensive Income for the period	287,248	576,822	689,546	1,222,774	2,030,783	-
Net income (loss) attributable to owners of parent company	282,546	387,431	365,025	450,887	2,070,986	-
Profit (loss) attributable to non-controlling interests	(3,607)	(8,611)	(533)	(4)	0	-
Comprehensive Income Attributable to Owners of the Parent	290,855	585,433	690,082	1,222,778	2,030,783	-
Comprehensive Income Attributable to Non-controlling Interests	(3,607)	(8,611)	(536)	(4)	0	-
Earnings per Share (EPS)	0.94	1.29	1.22	1.51	6.92	-

Note: No financial report has been audited by CPAs for 2023 as of March 28, 2023.

**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 March 28, 2023 Financial information (Note 1)
		2018	2019	2020	2021	2022	
Current Assets		2,212,399	2,395,518	2,801,686	4,130,242	4,295,356	-
Property, plant and equipment		346,971	295,788	271,270	351,627	367,646	-
Intangible Assets		1,231	2,752	2,218	2,338	3,181	-
Other assets		8,889,277	9,182,173	9,401,918	9,832,508	11,470,880	-
Total Assets		11,449,878	11,876,231	12,477,092	14,316,715	16,137,063	-
Current liabilities	Before distribution	2,525,695	2,327,609	2,768,383	3,639,408	3,684,593	-
	After distribution	2,779,987	2,627,650	3,068,424	3,939,449	(Note 2)	-
Non-current liabilities		551,891	844,230	621,345	666,189	709,528	-
Total Liabilities	Before distribution	3,077,586	3,171,839	3,389,728	4,305,597	4,394,121	-
	After distribution	3,331,878	3,471,880	3,689,769	4,605,638	(Note 2)	-
Capital	Stock	3,000,413	3,000,413	3,000,413	3,000,413	3,000,413	-
Capital	Surplus	5,957	6,916	7,911	8,928	10,010	-
Retained Earnings	Before distribution	2,205,946	2,339,776	2,418,420	2,563,285	4,326,792	-
	After distribution	1,951,654	2,039,735	2,118,379	2,263,244	(Note 2)	-
Other Equity		3,173,150	3,370,461	3,673,794	4,451,666	4,418,901	-
Treasury Stock		(13,174)	(13,174)	(13,174)	(13,174)	(13,174)	-
TOTAL EQUITY	Before distribution	8,372,292	8,704,392	9,087,364	10,011,118	11,742,942	-
	After distribution	8,118,000	8,404,351	8,787,323	9,711,077	(Note 2)	-

Note 1: No financial report has been audited by CPAs for 2023 as of March 28, 2023.

Note 2: To be resolved by the board meeting on April 7, 2023.

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

(In Thousands of New Taiwan Dollars)

Year Item	Financial Information for the Most Recent Five Years					Financial Data in the Current Year up to Financial Information as of March 28, 2023 (Note)
	2018	2019	2020	2021	2022	
Operating Revenue	1,462,323	1,891,666	1,946,096	2,552,849	3,138,180	-
Gross Profit	324,285	466,750	490,775	580,255	770,396	-
Operating Profit (Loss)	(81,953)	17,579	69,776	119,244	203,420	-
Non-operating Income and Expenses	354,650	346,809	306,325	347,600	1,925,276	-
Net profit before tax	272,697	364,388	376,101	466,844	2,128,696	-
Net income (loss) from continuing operations	282,546	387,431	365,025	450,887	2,070,986	-
Current net profit						
Loss from Discontinued Operations	-	-	-	-		-
Net profit or loss for this period	282,546	387,431	365,025	450,887	2,070,986	-
Other comprehensive income for the period (after tax)	8,309	198,002	325,057	771,891	(40,203)	-
Total Comprehensive Income for the period	290,855	585,433	690,082	1,222,778	2,030,783	-
Earnings per Share (EPS)	0.94	1.29	1.22	1.51	6.92	-

Note: No financial report has been audited by CPAs for 2023 as of March 28, 2023.

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

2022	Deloitte & Touche Li-Huang Li, Jui-Chuan Chih	Unmodified opinion
2021	Deloitte & Touche Li-Huang Li, Jui-Chuan Chih	Unmodified opinion
2020	Deloitte & Touche Li-Huang Li, Jui-Chuan Chih	Unmodified opinion
2019	Deloitte & Touche Li-Huang Li, Jui-Chuan Chih	Unmodified opinion
2018	Deloitte & Touche Li-Huang Li, Jui-Chuan Chih	Unmodified opinion

## II. Financial Analysis in the Most Recent Five Years

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

<div>Year</div> <div>Analysis Item</div>		Financial Analysis for the Most Recent Five Years					Financial Data in the Current Year up to March 28, 2023 (Note)
		2018	2019	2020	2021	2022	
Financial Structure (%)	Debt ratio	31.28	32.35	33.08	37.95	29.68	-
	Ratio of long-term capital to property, plant, and equipment	1647.06	3115.42	3124.38	2640.70	2047.56	-
Solvency (%)	Current ratio	72.34	81.00	81.88	97.65	133.87	-
	Quick ratio	55.86	62.69	67.37	79.32	104.30	-
	Interest coverage ratio	13.18	14.45	15.14	18.10	63.12	-
Operating ability	Average collection turnover (times)	7.93	10.56	7.95	7.22	8.59	-
	Average days for cash receipts	46.02	34.56	45.91	50.55	42.49	-
	Average inventory turnover (times)	2.03	2.41	2.32	2.56	2.21	-
	Average payables turnover (times)	6.73	8.28	8.45	6.75	6.04	-
	Average days for sale of goods	179.80	151.45	157.33	142.57	165.15	-
	Property, plant, and equipment turnover rate (times)	2.99	4.72	6.71	7.44	6.39	-
	Total assets turnover (times)	0.12	0.17	0.16	0.19	0.20	-
Profitability	Return on assets (%)	2.28	3.19	2.92	3.19	12.79	-
	Return on equity (%)	3.16	4.42	4.09	4.72	19.04	-
	Profit margin ratio (%)	17.37	18.18	16.96	16.40	61.83	-
	Earnings per share (NTD)	0.94	1.29	1.22	1.51	6.92	-
Cash flows	Cash flow ratio (%)	5.57	4.84	4.16	-	7.45	-
	Cash flow adequacy ratio (%)	3.43	5.38	14.67	5.75	7.59	-
	Cash flow reinvestment ratio (%)	-	-	-	-	-	-

Leverage	Operating leverage	-	7.67	5.28	5.13	4.22	-
	Financial leverage	-	1.33	1.21	1.17	1.14	-
<p>Explain changes in financial ratios over the most recent two years. (Not required if the difference does not exceed 20%)</p> <p>1. The increase in return on equity is mainly due to the increase in net profit in the current period</p> <p>2. The decrease of cash flow ratio is mainly due to the outflow of net cash flow from operating activities.</p>							

Note: No financial report has been audited by CPAs for 2023 as of March 28, 2023.

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 analysis
  - (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).

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

<div style="text-align: center;">Year Analysis Item</div>		Financial Analysis for the Most Recent Five Years					Financial Data in the Current Year up to March 28 2023 (Note 2)
		2018	2019	2020	2021	2022	
Financial Structure (%)	Debt ratio	26.88	26.71	27.17	30.07	27.23	-
	Ratio of long-term capital to property, plant, and equipment	2572.03	3228.20	3578.98	3036.54	3387.08	-
Solvency (%)	Current ratio	87.60	102.92	101.20	113.49	116.58	-
	Quick ratio	68.69	79.79	83.04	88.35	87.03	-
	Interest coverage ratio	15.11	18.53	18.78	22.81	62.34	-
Operating ability	Average collection turnover (times)	7.22	9.52	7.17	6.71	8.05	-
	Average days for cash receipts	50.55	38.36	50.90	54.40	45.34	-
	Average inventory turnover (times)	2.03	2.43	2.35	2.61	2.26	-
	Average payables turnover (times)	7.69	8.98	8.46	6.76	6.04	-
	Average days for sale of goods	179.80	150.21	155.32	139.85	161.5	-
	Property, plant, and equipment turnover rate (times)	3.84	5.89	6.86	8.20	8.73	-
	Total assets turnover (times)	0.12	0.16	0.16	0.19	0.21	-
Profitability	Return on assets (%)	2.48	3.46	3.14	3.49	13.78	-
	Return on equity (%)	3.22	4.54	4.10	4.72	19.04	-
	Profit margin ratio (%)	19.32	20.48	18.76	17.66	65.99	-
	Earnings per share (NTD)	0.94	1.29	1.22	1.51	6.92	-
Cash flows	Cash flow ratio (%)	2.20	3.28	2.65	1.00	7.16	-
	Cash flow adequacy ratio (%)	-	1.76	5.60	3.75	16.02	-
	Cash flow reinvestment ratio (%)	-	-	-	-	-	-
Leverage	Operating leverage	-	42.19	10.47	7.37	5.5	-
	Financial leverage	-	-	1.44	1.22	1.21	-

Explain changes in financial ratios over the most recent two years. (Not required if the difference does not exceed 20%)

1. Increase in interest protection multiples is mainly due to increase in net profit before tax.
2. The increase in return on assets, return on equity, net profit margin and earnings per share was mainly due to the increase 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.
4. The decrease in operating leverage was mainly due to the increase in operating profits.

Note : No financial report has been audited by CPAs for 2023 as of March 28, 2023.

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 =  $(\text{Net operating revenue} - \text{Variable operating costs \& expenses}) / \text{Operating income}$ .

(2) Degree of Financial Leverage (DFL) =  $\text{Operating profit} / (\text{Operating profit} - \text{Interest expenditure})$ .

### 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 other reports for the year of 2022, 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. Upon the audit by the Audit Committee, the above financial statements do not violate any regulations. In accordance with Article 14-4 of the Securities Exchange Act and Article 219 of The Company Act, the report is hereby issued. Please review.

Sincerely,

Shinkong Textile Co., Ltd.'s 2023 Annual Shareholders'  
Meeting

Convener of the Audit Committee: David Ching

March 15, 2023

## **Audit Committee's Audit Report, Shinkong Textile Co., Ltd.**

As of the date of publication of the annual report, the board of directors of the Company has not yet adopted the proposal for the 2022 earnings distribution, and the audit committee has not yet issued the audit report. Relevant information will be disclosed in the Agenda Handbooks for the Company's 2023 General Shareholders' Meeting and uploaded to MOPS 30 days before the meeting.

## IV. Latest Financial Statements

### 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, 2022 and 2021; and the related consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to consolidated financial statements (including a summary on significant accounting policies).

In our opinion, the aforementioned consolidated financial statements present fairly, in all material respects, the consolidated financial status of the Group as of December 31, 2022 and 2021, and its consolidated financial performance and cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers as well as the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission.

#### **Basis for Opinion**

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group 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 the Group for the year ended December 31, 2022 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 for the year ended December 31, 2022 are as follows:

### Authenticity of sales revenue from specific customers

The Group'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(XIV) of the notes to 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 also prepared parent company only financial statements for the years ended December 31, 2022 and 2021, which we had audited and issued an unqualified opinion.

## **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 as well as the IFRS, IAS, IFRIC, and SIC 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 the Group'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 Group 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 Group's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 consolidated financial statements.

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

1. 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 the Group'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 Group'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 consolidated financial

statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient 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. 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 Group's consolidated financial statements for the year ended December 31, 2022. 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 15, 2023

Shinkong Textile Co., Ltd. and Subsidiaries  
Consolidated Balance Sheets  
December 31, 2022 and 2021

(In Thousands of New Taiwan Dollars)

Code	Assets	December 31, 2022		December 31, 2021	
		Amount	%	Amount	%
	Current assets				
1100	Cash and cash equivalents (Notes 6, 31 and 33)	\$ 889,783	5	\$ 1,409,594	9
1110	Financial assets at fair value through profit or loss (Notes 7, 31, and 33)	568,830	4	172,462	1
1120	Financial assets at fair value through other comprehensive income - current (Notes 8 and 31)	1,625,098	10	1,770,277	11
1136	Financial assets at amortized cost - current (Notes 9)	500,000	3	-	-
1150	Notes receivable (Notes 10 and 32)	9,915	-	29,684	-
1170	Accounts receivable (Note 10)	292,467	2	356,824	2
1180	Accounts receivable - related parties, net (Notes 10 and 32)	46,685	-	43,253	-
1200	Other receivables	16,603	-	19,925	-
1210	Other receivables - related parties (Notes 10 and 32)	-	-	4	-
1220	Current tax assets (Note 27)	-	-	139,795	1
130X	Inventories (Note 11)	1,058,167	6	778,609	5
1410	Prepayments (Notes 19 and 32)	62,371	-	160,467	1
1460	Other non-current assets held for sale (Note 12)	-	-	118,922	1
1470	Other current assets (Note 15)	2,973	-	3,073	-
11XX	Total current assets	<u>5,072,892</u>	<u>30</u>	<u>5,002,889</u>	<u>31</u>
	Non-current assets				
1517	Financial assets at fair value through other comprehensive income - non-current (Notes 8, 31, 32 and 33)	4,907,353	29	4,649,708	29
1535	Financial assets at amortized cost - non-current (Notes 4, 31, 32 and 33)	1,800	-	1,800	-
1550	Investments accounted for using the equity method (Note 14)	718,928	4	705,251	4
1600	Property, plant and equipment (Notes 15 and 29)	630,474	4	417,013	3
1755	Right-of-use assets (Note 16)	179,693	1	150,762	1
1760	Investment properties (Notes 17 and 33)	5,076,581	31	5,023,510	31
1780	Other intangible assets (Note 18)	3,270	-	2,457	-
1840	Deferred tax assets (Note 27)	29,691	-	28,931	-
1990	Other non-current assets (Note 14 and 32)	77,965	1	152,804	1
15XX	Total non-current assets	<u>11,625,755</u>	<u>70</u>	<u>11,132,236</u>	<u>69</u>
1XXX	Total Assets	<u>\$ 16,698,647</u>	<u>100</u>	<u>\$ 16,135,125</u>	<u>100</u>
	Liabilities and equity				
	Current liabilities				
2100	Short-term borrowings (Notes 20 and 33)	\$ 3,070,000	19	\$ 2,480,000	16
2110	Short-term notes payable (Note 20)	-	-	1,178,598	7
2130	Contract liabilities - current (Notes 25 and 32)	29,805	-	26,043	-
2150	Notes payable (Note 21)	222,899	1	257,405	2
2160	Notes payable - related parties (Notes 21 and 32)	36,641	-	38,720	-
2170	Accounts payable (Note 21)	104,305	1	97,448	1
2180	Accounts payable - related parties (Notes 21 and 32)	6,612	-	6,724	-
2200	Other payables (Note 22)	188,898	1	130,552	1
2220	Other payables - related parties (Notes 22 and 32)	1,822	-	1,186	-
2230	Current tax liabilities (Note 27)	58,559	1	16,728	-
2280	Lease liabilities - current (Notes 16, 31 and 32)	45,868	-	49,764	-
2399	Other current liabilities (Note 22)	23,912	-	839,876	5
21XX	Total current liabilities	<u>3,789,321</u>	<u>23</u>	<u>5,123,044</u>	<u>32</u>
	Non-current liabilities				
2540	Long-term borrowings (Notes 20 and 33)	159,082	1	-	-
2570	Deferred tax liabilities (Note 27)	761,682	4	767,723	5
2580	Lease liabilities - non-current (Notes 16, 24 and 32)	138,926	1	105,243	-
2600	Other non-current liabilities (Note 22 and 32)	106,694	1	127,997	1
25XX	Total non-current liabilities	<u>1,166,384</u>	<u>7</u>	<u>1,000,963</u>	<u>6</u>
2XXX	Total liabilities	<u>4,955,705</u>	<u>30</u>	<u>6,124,007</u>	<u>38</u>
	Equity attributable to owners of the Company (Note 24)				
	Share capital				
3110	Common shares	3,000,413	18	3,000,413	19
3200	Capital surplus	10,010	-	8,928	-
	Retained earnings				
3310	Legal reserve	542,270	3	497,780	3
3320	Special reserve	1,006,548	6	1,006,548	6
3350	Unappropriated earnings	2,777,974	17	1,058,957	7
3300	Total retained earnings	<u>4,326,792</u>	<u>26</u>	<u>2,563,285</u>	<u>16</u>
	Other equity				
3410	Exchange differences on translating the financial statements of foreign operations	( 1,261 )	-	( 6,638 )	-
3420	Unrealized gains (losses) on financial assets at fair value through other comprehensive income	4,420,162	26	4,458,304	27
3400	Total other equity	<u>4,418,901</u>	<u>26</u>	<u>4,451,666</u>	<u>27</u>
3500	Treasury share	( 13,174 )	-	( 13,174 )	-
31XX	Total equity attributable to owners of the Company	<u>11,742,942</u>	<u>70</u>	<u>10,011,118</u>	<u>62</u>
3XXX	Total equity	<u>11,742,942</u>	<u>70</u>	<u>10,011,118</u>	<u>62</u>
	Total Liabilities and Equity	<u>\$ 16,698,647</u>	<u>100</u>	<u>\$ 16,135,125</u>	<u>100</u>

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

Chairman: Hsing-En Wu

President: Jui-Nan Chang

Accounting Manager: Su-Chuan Ko



Shinkong Textile Co., Ltd. and Subsidiaries  
Consolidated Statements of Comprehensive Income  
For the Years Ended December 31, 2022 and 2021

(In Thousands of New Taiwan Dollars, provided that  
Earnings per share are in NT\$)

Code		2022		2021	
		Amount	%	Amount	%
	Operating revenue (Notes 25 and 32)				
4110	Sales revenue	\$ 2,981,065	89	\$ 2,397,995	87
4300	Rental revenue	367,621	11	350,315	13
4800	Other operating revenue	<u>603</u>	<u>-</u>	<u>604</u>	<u>-</u>
4000	Total operating revenue	<u>3,349,289</u>	<u>100</u>	<u>2,748,914</u>	<u>100</u>
	Operating costs (Notes 11, 26 and 32)				
5110	Cost of goods sold	( 2,326,422 )	( 70 )	( 1,927,419 )	( 70 )
5300	Rental costs	( <u>104,829</u> )	( <u>3</u> )	( <u>92,600</u> )	( <u>4</u> )
5000	Total operating costs	( <u>2,431,251</u> )	( <u>73</u> )	( <u>2,020,019</u> )	( <u>74</u> )
5900	Gross profit	<u>918,038</u>	<u>27</u>	<u>728,895</u>	<u>26</u>
	Operating expenses (Notes 26 and 32)				
6100	Selling and marketing	( 438,524 )	( 13 )	( 380,347 )	( 14 )
6200	General and administrative	( 151,271 )	( 4 )	( 121,886 )	( 4 )
6300	Research and development	( 29,687 )	( 1 )	( 25,941 )	( 1 )
6450	Expected credit gain	<u>1,294</u>	<u>-</u>	( <u>497</u> )	<u>-</u>
6000	Total operating expenses	( <u>618,188</u> )	( <u>18</u> )	( <u>528,671</u> )	( <u>19</u> )
6500	Other operating income and expenses, net	<u>405</u>	<u>-</u>	<u>-</u>	<u>-</u>
6900	Net operating income	<u>300,255</u>	<u>9</u>	<u>200,224</u>	<u>7</u>
	Non-operating income and expenses (Notes 26 and 32)				
7100	Interest income	6,610	-	475	-
7010	Other income	365,057	11	286,643	10
7020	Other gains and losses	1,554,277	47	( 19,911 )	( 1 )
7050	Finance costs	( 36,438 )	( 1 )	( 28,371 )	( 1 )
7060	Share of profit or loss of associates and joint ventures accounted for using the equity method	<u>73,760</u>	<u>2</u>	<u>46,013</u>	<u>2</u>
7000	Total non-operating income and expenses	<u>1,963,266</u>	<u>59</u>	<u>284,849</u>	<u>10</u>

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Code		2022		2021	
		Amount	%	Amount	%
7900	Income before tax	\$ 2,263,521	68	\$ 485,073	17
7950	Income tax expense (Note 27)	( 192,535 )	( 6 )	( 34,190 )	( 1 )
8200	Net income	<u>2,070,986</u>	<u>62</u>	<u>450,883</u>	<u>16</u>
8310	Other comprehensive income Items that will not be reclassified subsequently to profit or loss:				
8311	Remeasurement of defined benefit plans	4,920	-	( 5,991 )	-
8316	Unrealized gains (losses) on investments in equity instruments at fair value through other comprehensive income	( 19,367 )	-	801,363	29
8320	Share of other comprehensive income of associates and joint ventures accounted for using the equity method	( 31,133 )	( 1 )	( 21,862 )	( 1 )
8360	Items that may be reclassified subsequently to profit or loss:				
8361	Exchange differences on translating the financial statements of foreign operations	164	-	( 80 )	-
8370	Share of other comprehensive income of associates and joint ventures accounted for using the equity method	6,556	-	( 1,944 )	-
8399	Income tax relating to items that may be reclassified subsequently to profit or loss	( 1,343 )	-	405	-
8300	Other comprehensive income or loss (net value after tax) in this period	( 40,203 )	( 1 )	771,891	28
8500	Total comprehensive income	<u>\$ 2,030,783</u>	<u>61</u>	<u>\$ 1,222,774</u>	<u>44</u>
	Net income attributable to:				
8610	Owners of the Company	\$ 2,070,986	62	\$ 450,887	16
8620	Non-controlling Interests	-	-	( 4 )	-
8600		<u>\$ 2,070,986</u>	<u>62</u>	<u>\$ 450,883</u>	<u>16</u>

(Continued on the next page)

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Code		2022		2021	
		Amount	%	Amount	%
	Total comprehensive income attributable to:				
8710	Owners of the Company	\$ 2,030,783	61	\$ 1,222,778	44
8720	Non-controlling Interests	<u>-</u>	<u>-</u>	( <u>4</u> )	<u>-</u>
8700		<u>\$ 2,030,783</u>	<u>61</u>	<u>\$ 1,222,774</u>	<u>44</u>
	Earnings per share (Note 27)				
9710	Basic	<u>\$ 6.92</u>		<u>\$ 1.51</u>	
9810	Diluted	<u>\$ 6.91</u>		<u>\$ 1.51</u>	

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

Chairman: Hsing-En Wu

President: Jui-Nan Chang

Accounting Manager: Su-Chuan Ko

Shinkong Textile Co., Ltd. and Subsidiaries  
Consolidated Statements of Changes in Equity  
For the Years Ended December 31, 2022 and 2021

(In Thousands of New Taiwan Dollars)

		Equity Attributable to Owners of the Company											
		Share capital			Retained earnings			Other equity					
Code		Number of Shares (In Thousand Shares)	Amount	Capital surplus	Legal 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	Treasury share	Total	Non-controlling Interests	Total Equity
A1	Balance at January 1, 2021	300,041	\$ 3,000,413	\$ 7,911	\$ 459,911	\$ 1,006,548	\$ 951,961	( \$ 5,019 )	\$ 3,678,813	( \$ 13,174 )	\$ 9,087,364	\$ 4	\$ 9,087,368
	Appropriation and distribution of earnings for 2020												
B1	Legal reserve	-	-	-	37,869	-	( 37,869 )	-	-	-	-	-	-
B5	Cash dividends to shareholders of the Company	-	-	-	-	-	( 300,041 )	-	-	-	( 300,041 )	-	( 300,041 )
M1	Other changes in capital surplus: Changes in capital surplus from dividends paid to subsidiaries	-	-	804	-	-	-	-	-	-	804	-	804
T1	Dividends not collected before the designated date	-	-	213	-	-	-	-	-	-	213	-	213
Q1	Disposal of investments in equity instruments at fair value through other comprehensive income	-	-	-	-	-	10	-	( 10 )	-	-	-	-
D1	Net income in 2021	-	-	-	-	-	450,887	-	-	-	450,887	( 4 )	450,883
D3	Other comprehensive income in 2021, net of tax	-	-	-	-	-	( 5,991 )	( 1,619 )	779,501	-	771,891	-	771,891
D5	Total comprehensive income in 2021	-	-	-	-	-	444,896	( 1,619 )	779,501	-	1,222,778	( 4 )	1,222,774
Z1	Balance at December 31, 2021	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	-	10,011,118
	Appropriation and distribution of earnings for 2021												
B1	Legal reserve	-	-	-	44,490	-	( 44,490 )	-	-	-	-	-	-
B5	Cash dividends to shareholders of the Company	-	-	-	-	-	( 300,041 )	-	-	-	( 300,041 )	-	( 300,041 )
M1	Other changes in capital surplus: Changes in capital surplus from dividends paid to subsidiaries	-	-	804	-	-	-	-	-	-	804	-	804
T1	Dividends not collected before the designated date	-	-	278	-	-	-	-	-	-	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	-	2,070,986
D3	Other comprehensive income in 2022, net of tax	-	-	-	-	-	4,920	5,377	( 50,500 )	-	( 40,203 )	-	( 40,203 )
D5	Total comprehensive income in 2022	-	-	-	-	-	2,075,906	5,377	( 50,500 )	-	2,030,783	-	2,030,783
Z1	Balance at December 31, 2022	<u>300,041</u>	<u>\$ 3,000,413</u>	<u>\$ 10,010</u>	<u>\$ 542,270</u>	<u>\$ 1,006,548</u>	<u>\$ 2,777,974</u>	<u>( \$ 1,261 )</u>	<u>\$ 4,420,162</u>	<u>( \$ 13,174 )</u>	<u>\$ 11,742,942</u>	<u>\$ -</u>	<u>\$ 11,742,942</u>

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

Chairman: Hsing-En Wu

President: Jui-Nan Chang

Accounting Manager: Su-Chuan Ko

Shinkong Textile Co., Ltd. and Subsidiaries  
Consolidated Statements of Cash Flows  
For the Years Ended December 31, 2022 and 2021

		(In Thousands of New Taiwan Dollars)	
Code		2022	2021
	Cash flows from operating activities		
A10000	Income before income tax	\$ 2,263,521	\$ 485,073
A20010	Adjustments:		
A20100	Depreciation	145,284	126,485
A20200	Amortization	2,150	1,883
A20300	Expected credit (gain) loss	( 1,294 )	497
A20400	Net gains on financial assets at fair value through profit or loss	( 49,866 )	( 12,012 )
A20900	Finance costs	36,438	28,371
A21200	Interest income	( 6,610 )	( 475 )
A21300	Dividend income	( 362,884 )	( 281,990 )
A22300	Share of profit or loss of associates accounted for using the equity method	( 73,760 )	( 46,013 )
A22500	Loss on disposal of property, plant and equipment	669	4,898
A23000	Gains on disposal of other non-current assets held for sale	( 1,511,741 )	-
A23700	Write-downs of inventories	19,031	-
A23800	Gain from price recovery of inventory	-	( 21,024 )
A24500	Dividends not collected before the designated date reclassified to capital surplus	278	213
A29900	Construction in progress transferred to miscellaneous purchases	29	-
A29900	Construction in progress transferred to miscellaneous expenses	59,315	-
A29900	Gains (losses) on lease modification	( 442 )	( 2 )
A30000	Changes in operating assets and liabilities, net		
A31130	Notes receivable	19,769	( 22,489 )
A31150	Accounts receivable	62,219	( 79,277 )
A31180	Other receivables	3,326	( 10,269 )
A31200	Inventories	( 298,589 )	( 305,492 )
A31230	Prepayments	( 4,246 )	( 38 )
A31240	Other current assets	( 3 )	9,258
A31990	Other non-current assets	1,210	( 5,110 )
A32125	Contract liabilities	3,762	( 23,944 )
A32130	Notes payable	( 36,585 )	184,456
A32150	Accounts payable	6,745	44,876
A32180	Other payables	57,491	36,532
A32230	Other current liabilities	( 553 )	21,859

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Code		2022	2021
A32240	Net defined benefit assets	( \$ 772 )	( \$ 879 )
A32990	Other non-current liabilities	( 3 )	17
A33000	Cash generated from operations	333,889	135,404
A33300	Interest paid	( 33,525 )	( 28,249 )
A33500	Income tax paid	( 18,126 )	( 169,265 )
AAAA	Net cash inflow (outflow) from operating activities	<u>282,238</u>	( <u>62,110</u> )
Cash flows from investing activities			
B00010	Acquisition of financial assets at fair value through other comprehensive income	( 32,158 )	( 130,494 )
B00020	Disposal of the financial assets at fair value through other comprehensive income	326	53
B00030	Proceeds from capital reduction of financial assets at fair value through other comprehensive income	-	16,569
B00040	Acquisition of financial assets at amortized cost	( 500,000 )	-
B00100	Acquisition of financial assets at fair value through profit or loss	( 427,301 )	( 71,182 )
B00200	Proceeds from financial assets at fair value through profit or loss	80,779	98,986
B01800	Acquisition of long-term investment in shares accounted for using the equity method	( 8,772 )	( 9,665 )
B02000	Increase in prepayments for investments	-	( 100,000 )
B02600	Proceeds from disposal of other non-current assets held for sale	815,383	-
B02700	Acquisition of property, plant, and equipment	( 281,503 )	( 124,573 )
B02800	Proceeds from disposal of property, plant, and equipment	20	1,548
B02800	Received prepayments for land	-	815,382
B03800	Decrease in refundable deposits	( 46,802 )	( 5,847 )
B04500	Acquisition of intangible assets	( 2,783 )	( 1,972 )
B05400	Acquisition of investment properties	( 627 )	( 75,893 )
B07100	Increase in prepayments for equipment	( 13,420 )	( 12,640 )
B07300	Prepayments for land	-	376
B07500	Interest received	6,610	475
B07600	Dividends received	362,884	281,990
B09900	Dividends received from associates	<u>43,352</u>	<u>22,307</u>
BBBB	Net cash inflow (outflow) from investing activities	( <u>4,012</u> )	<u>705,420</u>
Cash flows from financing activities			
C00100	Increase in short-term borrowings	590,000	476,500
C00500	Increase in short-term bills payable	-	230,000
C00600	Decrease in short-term bills payable	( 1,180,000 )	-

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Code		2022	2021
C01600	Proceeds from long-term borrowings	\$ 159,082	\$ -
C01700	Repayments of long-term borrowings	-	( 190,000 )
C03100	Refund of guarantee deposits received	( 21,300 )	( 1,124 )
C04020	Repayment of the principal portion of lease liabilities	( 46,745 )	( 44,573 )
C04500	Dividends paid to owners of the Company	( 299,237 )	( 299,237 )
CCCC	Net cash inflow (outflow) from financing activities	( 798,200 )	171,566
DDDD	Effects of exchange rate changes on cash and cash equivalents	163	( 80 )
EEEE	Net increase (decrease) in cash and cash equivalents	( 519,811 )	814,796
E00100	Cash and cash equivalents at beginning of year	1,409,594	594,798
E00200	Cash and cash equivalents at end of year	\$ 889,783	\$ 1,409,594

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

Chairman: Hsing-En Wu

President: Jui-Nan Chang

Accounting Manager: Su-Chuan Ko

Shinkong Textile Co., Ltd. and Subsidiaries  
Notes to Consolidated Financial Statements  
January 1 to December 31, 2022 and 2021  
(In Thousands of New Taiwan Dollars, Unless Otherwise Specified)

I. 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.

II. 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 9, 2023.

III. Application of New and Amended Standards and Interpretations

- (I) 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).

With the exception of the following, 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.

- (II) Adoption of IFRSs endorsed by the FSC from 2023 onward

New/Revised/Amended Standards and Interpretations	Effective Date Announced by International Accounting Standards Board (IASB)
Amendments to IAS 1 "Disclosure of Accounting Policies"	January 1, 2023 (Note 1)
Amendments to IAS 8 "Definition of Accounting Estimates Value"	January 1, 2023 (Note 2)
Amendments to IAS 12 "Deferred Tax related to Assets and Liabilities Arising from Single Transaction"	January 1, 2023 (Note 3)



Note 1: The amendments applied prospectively to annual reporting periods beginning on or after January 1, 2023.

Note 2: The amendments applied to changes in accounting estimates value and accounting policies on or after January 1, 2023.

Note 3: The amendments were applicable prospectively to the transactions incurred after January 1, 2022, except for the deferred tax accounted for on temporary differences in leasing and decommissioning obligation as of January 1, 2022.

As of the date of authorization of the consolidated Company financial statements, the consolidated Company had assessed the effects of amendments to other standards and interpretations on its financial conditions and performance, so as to avoid material influence except for the above effects.

(III) 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
Amendments to IAS 16 "Lease liabilities in sale and leaseback"	January 1, 2024 (Note 2)
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
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

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.

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.

#### IV. Summary of Significant Accounting Policies

##### (I) 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 by FSC.

##### (II) 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:

1. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities on the measurement date.
2. 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).
3. Level 3 inputs are unobservable inputs for the asset or liability.

##### (III) Classification of current and non-current assets and liabilities

Current assets include:

1. Assets held primarily for trading purposes;
2. Assets expected to be realized within 12 months after the balance sheet date; and
3. 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:

1. Liabilities held primarily for trading purposes;
2. Liabilities due to settle within 12 months after the balance sheet date; and
3. 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.

(IV) 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 13 and Tables 6 and 7.

(V) 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 Group) 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).

On 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.

(VI) 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.

(VII) 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 an associate issues new shares, if the consolidated Company fails to subscribe in proportion to its shareholding ratio, resulting in a change in the shareholding ratio and a consequent increase or decrease in the net equity invested, the increase or decrease shall be adjusted to the capital reserves - changes in the net equity of the associate and investments 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 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.

(VIII) 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 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.

(IX) 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.

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.

(X) Intangible assets

1. 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 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.

## 2. 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.

### (XI) 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 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 cash-generating unit (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 afore-mentioned 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.

(XII) Non-current assets held for sale

Non-current asset's carrying amounts are classified as held for sale when they are expected to be primarily collected through sale transactions rather than continued use. Non-current assets that qualify for this classification must be available for immediate sale in their current condition and must be highly likely to be sold. When the appropriate level of management commits to a plan to sell the asset and the sale is expected to be completed within one year from the classification date, it is highly likely that the sale will be qualified.

(XIII) Financial instruments

Financial assets and financial liabilities shall be recognized in the consolidated 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.

1. Financial assets

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

(1) 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.

A. 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 31 for methods adopted in determining the fair values.

B. 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:

- a. Financial assets are under a business model whose purpose is to hold financial assets and collecting contractual cash flows; and
- b. 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:

- a. 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.
- b. 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.

- C. 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 business combination 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.

(2) 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:

- A. There is internal or external information indicating that it is impossible for the debtor to settle the debt.

B. 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.

(3) 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 consolidated 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.

2. 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.

### 3. Financial liabilities

#### (1) Subsequent measurement

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

#### (2) 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.

### (XIV) 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.

### (XV) Leases

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

1. Where the consolidated 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 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.

2. Where the consolidated 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 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 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 novel coronavirus pneumonia. 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.

(XVI) 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.

(XVII) 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.

(XVIII) Employee benefits

1. 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.

2. 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.

(XIX) Income tax

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

1. 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.

## 2. Deferred income tax

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

3. 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.

V. 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 will take the recent development of the COVID-19 in China and its possible impact on the economic environment 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. If an amendment of estimates only affects the current period, it shall be recognized in the period of amendment; if an amendment of accounting estimates affects the current year and future periods, it shall be recognized in the period of amendment and future periods.

Primary Sources of Uncertainties in Estimates, and Assumptions

(I) 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.

(II) 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.

VI. Cash and cash equivalent

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Cash on hand and working capital	\$ 879	\$ 979
Checks and demand deposits in banks	601,266	1,408,615
Cash equivalent (investments bank time deposits with original maturities within three months)	287,638	-
	<u>\$ 889,783</u>	<u>\$ 1,409,594</u>

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

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Bank deposits	0.001%~4.9%	0.001%~0.2%

VII. Financial Instruments at Fair Value through Profit or Loss

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Financial assets - current</u>		
Designated as at fair value through profit or loss		
- Domestic stocks listed or emerging stocks	\$ 28,698	\$ 44,860
Mandatorily measured at fair value through profit or loss		
- Fund beneficiary certificates	540,132	127,602
	<u>\$ 568,830</u>	<u>\$ 172,462</u>

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

<u>Investments in equity instruments</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Current</u>		
Domestic Investment		
Listed Stocks	<u>\$ 1,625,098</u>	<u>\$ 1,770,277</u>
<u>Non-current</u>		
Domestic Investment		
Listed Stocks	\$ 3,018,355	\$ 2,977,433
Unlisted stocks	1,888,998	1,672,275
Subtotal	<u>\$ 4,907,353</u>	<u>\$ 4,649,708</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 33 for details of investments in equity instruments at fair value through other comprehensive profit and loss pledged.

IX. Financial assets at amortized cost

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Current</u>		
Domestic Investment		
Time deposits with original maturities over three months	<u>\$ 500,000</u>	<u>\$ -</u>

Non-current

Domestic Investment

- |  |                 |                 |
|--|-----------------|-----------------|
| Time deposits with original maturities over three months | <u>\$ 1,800</u> | <u>\$ 1,800</u> |
|--|-----------------|-----------------|
- (I) As of December 31, 2022 and 2021, the interest rate ranges of time deposits with original maturities over three months were 0.8% to 1.14% and 0.65% to 0.765%, respectively.
- (II) Financial assets at amortized cost are classified as current or non-current pursuant to the maturity dates on the contracts or the pledged periods.
- (III) Please refer to Note 33 for details of financial assets at amortized cost pledged.

X. Notes and accounts receivable

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Notes receivable</u>		
Measured at amortized cost		
Total carrying amount	\$ 9,907	\$ 29,674
Less: loss allowance	<u>-</u>	<u>-</u>
	<u>\$ 9,907</u>	<u>\$ 29,674</u>
Notes receivable - related parties (Note 32)	<u>\$ 8</u>	<u>\$ 10</u>

Accounts receivable

Measured at amortized cost		
Total carrying amount	\$ 292,472	\$ 358,126

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	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Less: loss allowance	( <u>5</u> )	( <u>1,302</u> )
	<u>\$ 292,467</u>	<u>\$ 356,824</u>
Accounts receivable - related parties (Note 32)	<u>\$ 46,685</u>	<u>\$ 43,253</u>
<u>Other receivables</u>		
Tax refunds receivable	\$ 15,748	\$ 19,069
Other	<u>855</u>	<u>856</u>
	<u>\$ 16,603</u>	<u>\$ 19,925</u>
Other receivables - related parties (Note 32)	<u>\$ -</u>	<u>\$ 4</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.

Where recoveries are made, they are recognized in profit or loss.

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

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>

December 31, 2021

	Billed for 1-60 Days	Billed for 61- 120 Days	Billed for 121- 180 Days	Billed over 180 Days	Total
ECL rate	0.01%~0.03%	0.35%~4.54%	7.58%~16.23%	9.09%~100%	
Total carrying amount	\$ 379,490	\$ 25,081	\$ 23,563	\$ 2,929	\$ 431,063
loss allowance (lifetime ECL)	( 56 )	( 324 )	( 255 )	( 667 )	( 1,302 )
Amortized cost	<u>\$ 379,434</u>	<u>\$ 24,757</u>	<u>\$ 23,308</u>	<u>\$ 2,262</u>	<u>\$ 429,761</u>

Changes in loss allowances for receivables are as follows:

	2022	2021
Balance at the beginning of the year	\$ 1,302	\$ 1,664
Add: Impairment loss provided for in the year	-	497
Less: Impairment loss reversed in the year	( 1,294 )	-
Less: Actual write-off in the year	( 3 )	( 859 )
Balance at the end of the year	<u>\$ 5</u>	<u>\$ 1,302</u>

XI. Inventories

	December 31, 2022	December 31, 2021
Finished goods	\$ 511,581	\$ 237,260
Work in progress	186,721	181,696
Raw materials	100,931	153,805
Merchandise inventories	<u>258,934</u>	<u>205,848</u>
	<u>\$ 1,058,167</u>	<u>\$ 778,609</u>

The cost of goods sold related to inventories for the years of 2022 and 2021 was NT\$2,326,422 thousand and NT\$1,927,419 thousand respectively. The cost of goods sold for the years of 2022 and 2021 included gain from price recovery of NT\$19,031 thousand and NT\$(21,024) thousand respectively. The recovery from the net realizable value of inventories in 2021 was due to the recovery from specific market values.



## XII. Non-current assets held for sale

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Land to be sold	<u>\$ -</u>	<u>\$ 118,922</u>

Shin Kong Asset Management Co., Ltd. of the consolidated Company adopted the sales of Yangming section 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\$1,630,776 thousand. The transfer of ownership was completed on January 7, 2022. Please refer to the Table 4 “Disposal of individual real estate with amount of at least NT\$300 million or 20% of the paid-in capital”.

## XIII. 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		Description
			December 31, 2022	December 31, 2021	
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 rental of housing, building and industrial factory, and development of specific areas	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.	Clothing and accessories retail, retail, non-store retail, other integrated retail, international trade, warehousing, tally 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 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.

#### XIV. Investments Using Equity Method

##### Investment in Associates

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Associates that are individually material</u>		
Unlisted companies		
Lian Quan Investment Co., Ltd.	\$ 363,569	\$ 384,759
Shang De Motor Co., Ltd.	<u>300,027</u>	<u>278,104</u>
	<u>663,596</u>	<u>662,863</u>
<u>Associates that are not individually material</u>		
Unlisted companies		
WPI-High Street, LLC	<u>55,332</u>	<u>42,388</u>
	<u>\$ 718,928</u>	<u>\$ 705,251</u>

#### (I) 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	Percentage of Shareholding and Voting Rights	
	<u>December 31, 2022</u>	<u>December 31, 2021</u>
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%

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 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.

Lian Quan Investment Co., Ltd.

	December 31, 2022	December 31, 2021
Current assets	\$ 6,793	\$ 9,067
Non-current assets	927,838	988,850
Current liabilities	( 190,985 )	( 210,928 )
Equity	<u>\$ 743,646</u>	<u>\$ 786,989</u>
Percentage of shares held by the consolidated Company	48.89%	48.89%
Interests of the consolidated Company	<u>\$ 363,569</u>	<u>\$ 384,759</u>
Carrying amount of investments	<u>\$ 363,569</u>	<u>\$ 384,759</u>
	2022	2021
Operating revenue	<u>\$ 22,843</u>	<u>\$ 22,428</u>
Net income in the year	\$ 18,581	\$ 18,465
Other comprehensive profit and loss	( 30,274 )	23,711
Total comprehensive profit and loss	<u>( \$ 11,693 )</u>	<u>\$ 42,176</u>

Shang De Motor Co., Ltd.

	December 31, 2022	December 31, 2021
Current assets	\$ 1,138,729	\$ 835,110
Non-current assets	462,878	496,513
Current liabilities	( 1,056,164 )	( 741,851 )
Non-current liabilities	( 57,774 )	( 167,543 )
Equity	<u>\$ 487,669</u>	<u>\$ 422,229</u>
Percentage of shares held by the consolidated Company	33.50%	33.50%
Interests of the consolidated Company	<u>\$ 163,369</u>	<u>\$ 141,446</u>
investment premium	<u>136,658</u>	<u>136,658</u>
Carrying amount of investments	<u>\$ 300,027</u>	<u>\$ 278,104</u>

	2022	2021
Operating revenue	<u>\$ 3,495,348</u>	<u>\$ 3,324,034</u>
Net income in the year	<u>\$ 140,183</u>	<u>\$ 83,356</u>
Total comprehensive profit and loss	<u>\$ 140,183</u>	<u>\$ 83,356</u>

(II) Aggregate information of associates that are not individually material

WPI-High Street , LLC

	2022	2021
The consolidated Company's share of:		
Net profit of continuing operations in the year	\$ 16,787	\$ 9,061
Other comprehensive profit and loss	<u>5,698</u>	<u>( 35,398 )</u>
Total comprehensive profit and loss	<u>\$ 22,485</u>	<u>( \$ 26,337 )</u>

XV. 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, 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>
<u>Accumulated depreciation and impairment</u>									
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>
<u>Cost</u>									
Balance at January 1, 2021	\$ 92,452	\$ 245,528	\$ 550,766	\$ 8,635	\$ 89,795	\$ 123,793	\$ 16,797	\$ 48,116	\$ 1,175,882
Additions	-	-	43,799	2,370	34,285	8,799	17,428	17,892	124,573
Reclassifications	-	28,197	1,997	-	765	657	1,339	( 3,455 )	29,500
Disposals	-	( 11,612 )	( 13,465 )	( 2,200 )	-	( 161 )	( 14,878 )	-	( 42,316 )
Balance at December 31, 2021	<u>\$ 92,452</u>	<u>\$ 262,113</u>	<u>\$ 583,097</u>	<u>\$ 8,805</u>	<u>\$ 124,845</u>	<u>\$ 133,088</u>	<u>\$ 20,686</u>	<u>\$ 62,553</u>	<u>\$ 1,287,639</u>
<u>Accumulated depreciation and impairment</u>									
Balance at January 1, 2021	\$ -	\$ 236,945	\$ 440,474	\$ 6,645	\$ 75,811	\$ 82,400	\$ 12,036	\$ -	\$ 854,311
Depreciation Expense	-	1,804	27,160	938	4,678	9,269	8,336	-	52,185
Disposals	-	( 11,612 )	( 7,422 )	( 1,797 )	-	( 161 )	( 14,878 )	-	( 35,870 )
Balance at December 31, 2021	<u>\$ -</u>	<u>\$ 227,137</u>	<u>\$ 460,212</u>	<u>\$ 5,786</u>	<u>\$ 80,489</u>	<u>\$ 91,508</u>	<u>\$ 5,494</u>	<u>\$ -</u>	<u>\$ 870,626</u>
Net at December 31, 2021	<u>\$ 92,452</u>	<u>\$ 34,976</u>	<u>\$ 122,885</u>	<u>\$ 3,019</u>	<u>\$ 44,356</u>	<u>\$ 41,580</u>	<u>\$ 15,192</u>	<u>\$ 62,553</u>	<u>\$ 417,013</u>

Unrecognized or reversal on impairment loss in 2022 and 2021.

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

Buildings	
Main building of the plant	15~50 years
Others	3~25 years
Machinery Equipment	1~20 years
Transportation Equipment	5~15 years
Hydropower Equipment	5~40 years
Miscellaneous Equipment	0.75~40 years
Lease Improvement	0.25~6 years

XVI. Lease Agreements

(I) Right-of-use assets

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Carrying amount of right-of-use assets		
Land	\$ 7,345	\$ 1,910
Buildings	166,320	144,925
Office equipment	1,629	804
Transportation Equipment	4,399	2,961
Other equipment	-	162
	<u>\$ 179,693</u>	<u>\$ 150,762</u>
	<u>2022</u>	<u>2021</u>
Additions to right-of-use assets	<u>\$ 90,472</u>	<u>\$ 114,840</u>
Disposal of right-of use assets	<u>\$ 13,174</u>	<u>\$ 262</u>
Depreciation expense of right-of-use assets		
Land	\$ 3,686	\$ 4,640
Buildings	40,787	39,813
Office equipment	395	341
Transportation Equipment	3,013	2,727
Other equipment	162	390
	<u>\$ 48,043</u>	<u>\$ 47,911</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 2022 and 2021.

(II) Lease liabilities

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Carrying amount of lease liabilities		
Current	<u>\$ 45,868</u>	<u>\$ 49,764</u>
Non-current	<u>\$ 138,926</u>	<u>\$ 105,243</u>

Discount rate ranges for lease liabilities are as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Land	1.6914%	0.758%~1.010%
Buildings	0.946%~1.457%	0.946%~1.008%
Office equipment	0.9%~0.981%	0.934%~1.008%
Transportation Equipment	0.915%~1.6623%	0.915%~1.010%
Other equipment	-	1.008%

(III) Major lease activities and terms

The consolidated Company leases buildings, office equipment, transportation equipment and other equipment to be used as factories, employee dormitory, business outlets, business vehicles and equipment used by employees with lease terms of 1 to 10 years. At the end of the lease period, the consolidated Company has no bargain purchase option for the leased building.

The pandemic seriously impacted the market economy in 2021. The consolidated Company negotiated with some lessors. Some lessors agreed to reduce rent in line with negotiation results. The consolidated Company recognized NT\$690 thousand of the above-mentioned rent concessions as the deduction for the operating costs - depreciation expense in 2021.

(IV) Other lease information

Please refer to Note 17 for agreements on investment property leased under operating leases.

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Short-term lease expenses	<u>\$ 15,533</u>	<u>\$ 3,510</u>
Total cash (outflow) for leases	<u>( \$ 63,964 )</u>	<u>( \$ 49,017 )</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.

XVII. Investment properties

	<u>Land</u>	<u>Buildings</u>	<u>Total</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>( 384)</u>
Balance at December 31, 2022	<u>\$ 4,503,359</u>	<u>\$ 1,335,299</u>	<u>\$ 5,838,658</u>
<u>Accumulated depreciation and impairment</u>			
Balance at January 1, 2022	\$ -	\$ 750,901	\$ 750,901
Depreciation Expense	-	27,128	27,128
Reclassifications	-	( 15,568)	( 15,568)
Disposals	<u>-</u>	<u>( 384)</u>	<u>( 384)</u>
Balance at December 31, 2022	<u>\$ -</u>	<u>\$ 762,077</u>	<u>\$ 762,077</u>
Net at December 31, 2022	<u>\$ 4,503,359</u>	<u>\$ 573,222</u>	<u>\$ 5,076,581</u>
<u>Cost</u>			
Balance at January 1, 2021	\$ 4,466,477	\$ 1,350,963	\$ 5,817,440
Additions	75,893	-	75,893
Reclassifications	<u>( 118,922)</u>	<u>-</u>	<u>( 118,922)</u>
Balance at December 31, 2021	<u>\$ 4,423,448</u>	<u>\$ 1,350,963</u>	<u>\$ 5,774,411</u>
<u>Accumulated depreciation and impairment</u>			
Balance at January 1, 2021	\$ -	\$ 723,739	\$ 723,739
Depreciation Expense	<u>-</u>	<u>27,162</u>	<u>27,162</u>
Balance at December 31, 2021	<u>\$ -</u>	<u>\$ 750,901</u>	<u>\$ 750,901</u>
Net at December 31, 2021	<u>\$ 4,423,448</u>	<u>\$ 600,062</u>	<u>\$ 5,023,510</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, 2022</u>	<u>December 31, 2021</u>
The first year	\$ 306,392	\$ 311,273
The second year	249,434	292,821
The third year	220,032	205,744
The fourth year	183,274	178,318
The fifth year	170,524	145,727
Over 5 years	<u>1,366,689</u>	<u>1,175,474</u>
	<u>\$ 2,496,345</u>	<u>\$ 2,309,357</u>

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

Buildings	4~50 years
Renovation	2~20 years

The fair value of investment real estate as of the year ended on December 30, 2022 and 2021 by appraiser Zhen-Xing Lin and Yu-Hua Luo from qualified Dawa Real Estate Appraisal Firm. By adopting the comparative method and income method, the fair value obtained from the evaluation is as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Fair value	<u>\$ 32,018,500</u>	<u>\$ 32,371,110</u>

The above fair value measurement has considered the impact of COVID on the future market development.

the consolidated Company held freehold interests in all of its investment properties. Please refer to Note 33 for the amount of investment property pledged as collateral for borrowings.

#### XVIII. Other Intangible Assets

<u>Cost</u>	<u>Cost of Computer Software</u>
Balance at January 1, 2022	\$ 4,865
Acquisitions	2,783
Reclassifications	180
Disposals	( 880)
Balance at December 31, 2022	<u>\$ 6,948</u>

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	<u>Cost of Computer Software</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>
<u>Cost</u>	
Balance at January 1, 2021	\$ 5,306
Additions	1,972
Disposals	( 2,413)
Balance at December 31, 2021	<u>\$ 4,865</u>
<u>Accumulated amortization and impairment</u>	
Balance at January 1, 2021	\$ 2,938
Amortization expense	1,883
Disposals	( 2,413)
Balance at December 31, 2021	<u>\$ 2,408</u>
Net at December 31, 2021	<u>\$ 2,457</u>

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

Cost of Computer Software	2~5 years
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XIX. Other Assets

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Current</u>		
Prepayments		
Prepaid expenses	\$ 19,749	\$ 15,300
Prepayments to suppliers	38,944	43,280
Prepayments for investments	-	100,000
Business tax paid and excess business tax paid	<u>3,678</u>	<u>1,887</u>
	<u>\$ 62,371</u>	<u>\$ 160,467</u>

The prepaid investment of consolidated Company was NT\$100,000 thousand for acquiring 18.18% of CYS Investment Co., Ltd. in November 2021 and completed equity transfer registration in January 2022.

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Other Assets		
Other	<u>\$ 2,973</u>	<u>\$ 3,073</u>
<u>Non-current</u>		
Refundable deposits	\$ 64,110	\$ 17,308
Net defined benefit assets (Note 23)	8,565	2,874
Prepayments for equipment	1,390	17,016
Prepaid for land	-	110,496
Other	<u>3,900</u>	<u>5,110</u>
	<u>\$ 77,965</u>	<u>\$152,804</u>

The prepaid for land refers to the purchase of land in Shilin Dist., Wanhua Dist., Xinyi Dist., Songshan Dist., Beitou Dist., Nangang Dist., Zhongshan Dist., and Datong Dist. by the consolidated from an unrelated third party to develop the land in Shilin Dist., Taipei City, for the purpose of building the factory floor space.

## XX. Borrowings

### (I) Short-term borrowings

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Secured borrowings</u> (Note 33)		
Bank borrowings	\$ 2,920,000	\$ 2,280,000
<u>Unsecured borrowings</u>		
Line of credit loans	<u>150,000</u>	<u>200,000</u>
	<u>\$ 3,070,000</u>	<u>\$ 2,480,000</u>

The ranges of interest rates on bank borrowings were 1.55% to 2.0151% and 0.85% to 1.49% as of December, 31, 2022 and 2021, respectively.

### (II) Short-term bills payable

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Commercial paper payable	\$ -	\$ 1,180,000
Less: Discounts on short-term bills payable	-	( 1,402 )
	<u>\$ -</u>	<u>\$ 1,178,598</u>

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

December 31, 2022: None.

December 31, 2021

Guarantor/Accepting Institution	Nominal Amount	Discounted Amount	Carrying amount	Interest Rate	Name of Collateral	Carrying Amount of Collateral
International Bills Finance Corporation (I)	\$ 80,000	(\$ 106)	\$ 79,894	0.590%	None	None
International Bills Finance Corporation (II)	120,000	( 70)	119,930	0.590%	None	None
Ta Ching Bills Finance Corporation	90,000	( 53)	89,947	0.690%	None	None
China Bills Finance Corporation	200,000	( 376)	199,624	0.300%	None	None
Taiwan Finance Cooperation (I)	60,000	( 62)	59,938	0.640%	None	None
Taiwan Finance Cooperation (II)	70,000	( 72)	69,928	0.640%	None	None
Taiwan Cooperative Bills Finance Corporation (I)	130,000	( 60)	129,940	0.790%	None	None
Taiwan Cooperative Bills Finance Corporation (II)	30,000	( 40)	29,960	0.790%	None	None
Mega Bills Finance Co., Ltd. (I)	60,000	( 80)	59,920	0.780%	None	None
Mega Bills Finance Co., Ltd. (II)	40,000	( 54)	39,946	0.780%	None	None
Shanghai Commercial & Savings Bank, Ltd. (I)	100,000	( 41)	99,959	0.330%	None	None
Shanghai Commercial & Savings Bank, Ltd. (II)	180,000	( 380)	179,620	0.320%	None	None
Shanghai Commercial & Savings Bank, Ltd. (III)	<u>20,000</u>	( <u>8</u> )	<u>19,992</u>	0.330%	None	None
	<u>\$ 1,180,000</u>	( <u>\$ 1,402</u> )	<u>\$ 1,178,598</u>			

(III) Long-term borrowings

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Secured borrowings</u> (Note 33)		
Bank borrowings	\$ 159,082	\$ -
Less: Listed as part due within 1 year	<u>-</u>	<u>-</u>
Long-term borrowings	<u>\$ 159,082</u>	<u>\$ -</u>

- The above long-term borrowings are the project borrowings of Shinkong Asset Management Co.,LTD to build the plant. The effective annual interest rate is 1.8448% - 2.229%. The interest is paid monthly and the principal is repaid in accordance with the borrowing contract.
- The above long-term borrowings were secured by the pledge of the consolidated Company's investment property (Please refer to Note 33).

XXI. 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.

XXII. Other liabilities

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Current</u>		
Other payables		
Tax payable	\$ 4,880	\$ 5,671
Employee compensation payable	24,509	11,503
Salaries and bonus payable	71,555	51,419
Compensation to employees director and supervisor payable	21,800	9,700
	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Pension payable	\$ 2,479	\$ 2,249
Services expense payable	1,410	1,350
Electricity and fuels payable	9,011	2,362
Interest payable	2,584	1,073
Other	50,670	45,225
	<u>\$ 188,898</u>	<u>\$ 130,552</u>
Other payables - related parties (Note 32)	<u>\$ 1,822</u>	<u>\$ 1,186</u>
Other liabilities		
Temporary credits	\$ 20,890	\$ 21,315
Receipts under custody	2,873	2,717
Deferred revenue (I)	-	28
Received prepayment for real estate (2) (Note 32)	-	815,383
Other	149	433
	<u>\$ 23,912</u>	<u>\$ 839,876</u>
<u>Non-current</u>		
Other liabilities		
Guarantee deposits received	\$ 106,680	\$ 127,980
Other	14	17
	<u>\$ 106,694</u>	<u>\$ 127,997</u>

- (I) 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:

	<u>2022</u>	<u>2021</u>
Balance at the beginning of the year	\$ 28	\$ 111
Amortization for the year (recognized as deductions to depreciation expense)	( <u>28</u> )	( <u>83</u> )
Balance at the end of the year	<u>\$ -</u>	<u>\$ 28</u>

- (II) The received prepayment for real estate is the land purchase and sale price received by the consolidated Company's Shinkong Asset Management Co., Ltd. for the sale of land to Shin Kong Wo Ho-Su Memorial Hospital, under Shin Kong Medical Foundation, according to the contract. Please refer to note 12 for relevant instructions.

### XXIII. Post-employment Benefit Plans

#### (I) Defined contribution plans

The Company and Shinkong Asset within the consolidated 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 consolidated Company makes monthly contributions to employees' individual pension accounts at 6% of their monthly salaries and wages.

#### (II) 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, 2022</u>	<u>December 31, 2021</u>
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Present value of defined benefit obligation	\$ 44,766	\$ 48,268
Fair value of plan assets	( 53,331 )	( 51,142 )
Net defined benefit assets	( \$ 8,565 )	( \$ 2,874 )

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, 2021	<u>\$ 41,339</u>	<u>( \$ 49,325 )</u>	<u>( \$ 7,986 )</u>
Service costs			
Current service costs	105	-	105
Interest expense (income)	<u>207</u>	<u>( 249 )</u>	<u>( 42 )</u>
Recognized in profit or loss	<u>312</u>	<u>( 249 )</u>	<u>63</u>
Remeasurements			
Return on plan assets (excluding amounts that are included in net interest)	-	( 626 )	( 626 )
Actuarial losses - changes in financial assumptions	246	-	246
Actuarial losses - experience adjustments	<u>6,371</u>	<u>-</u>	<u>6,371</u>
Recognized in other comprehensive profit and loss	<u>6,617</u>	<u>( 626 )</u>	<u>5,991</u>
Contributions from the employer	<u>\$ -</u>	<u>( \$ 942 )</u>	<u>( \$ 942 )</u>
Balance at December 31, 2021	<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 losses - changes in financial assumptions	( 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 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>

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

1. 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.
2. 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.
3. 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, 2022</u>	<u>December 31, 2021</u>
Discount rate	1.250%	0.625%
Expected rate of salary increase	2.750%	2.250%

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, 2022</u>	<u>December 31, 2021</u>
Discount rate		
Increase by 0.25%	( \$ 740 )	( \$ 941 )
Decrease by 0.25%	<u>\$ 760</u>	<u>\$ 971</u>
Expected rate of salary increase		
Increase by 0.25%	<u>\$ 736</u>	<u>\$ 939</u>
Decrease by 0.25%	( <u>\$ 720</u> )	( <u>\$ 915</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, 2022</u>	<u>December 31, 2021</u>
Expected contributions to the plan within one year	<u>\$ 895</u>	<u>\$ 969</u>
Average duration of defined benefit obligations	6.7 years	7.8 years

#### XXIV. Equity

##### (I) Share capital

###### Common shares

	<u>December 31, 2022</u>	<u>December 31, 2021</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.

##### (II) Capital surplus

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>May not be used for any purpose</u>		
Treasury share transactions	\$ 8,344	\$ 7,540
Dividends on stocks that have not been collected before the designated date	<u>1,666</u>	<u>1,388</u>
	<u>\$ 10,010</u>	<u>\$ 8,928</u>

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

##### (III) 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 the special earnings reserve is drawn up according to law, for the insufficient amount of "net increase of fair value of investment property accumulated in the previous period" and "net deduction of other equity accumulated in the previous period", the special earnings reserve of the same amount shall be drawn up from the undistributed earnings in the earlier period before the earnings is distributed. If there is still insufficient amount, items other than net profit after tax of the current period are included in the undistributed earnings of the current period. 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 compensation to directors and supervisors in the Company's Articles of Incorporation, please refer to Note 26(7) compensation to employees and compensation to directors and supervisors.

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 2021 and 2020 approved in the shareholders' meetings on June 10, 2022 and July 16, 2021, respectively, was as follows:

	2021	2020
Legal surplus reserve	<u>\$ 44,490</u>	<u>\$ 37,869</u>
Cash dividends	<u>\$ 300,041</u>	<u>\$ 300,041</u>
Earnings per share (NT\$)	\$ 1	\$ 1

The company's distribution of earnings of 2022 was subject to the resolution of Board of Directors and the shareholders' meeting in 2023.

(IV) Other equity item

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

	<u>2022</u>	<u>2021</u>
Balance at the beginning of the year	\$ 4,458,304	\$ 3,678,813
Accrued in the current year		
Unrealized gains (losses)		
Equity instruments	( 19,367 )	801,363
Share of associates accounted for using the equity method	( 31,133 )	( 21,862 )
Other comprehensive profit and loss for the year	( 50,500 )	779,501
Accumulated gains (losses) on disposal of equity instruments transferred to retained earnings	12,358	( 10 )
Balance at the end of the year	<u>\$ 4,420,162</u>	<u>\$ 4,458,304</u>

(V) Non-controlling Interests

	<u>2022</u>	<u>2021</u>
Balance at the beginning of the year	\$ -	\$ 4
Net losses for the period	-	( 4 )
Balance at the end of the year	<u>\$ -</u>	<u>\$ -</u>

(VI) Treasury share

<u>Reason for repurchase</u>	<u>Shares of Parent Company Held by Subsidiary (in thousands)</u>
Number of shares on January 1, 2022	<u>804</u>
Number of shares on December 31, 2022	<u>804</u>
Number of shares on January 1, 2021	<u>804</u>
Number of shares on December 31, 2021	<u>804</u>

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

December 31, 2022

<u>Name of subsidiary</u>	<u>No. of Shareholding (in thousands)</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>

December 31, 2021

<u>Name of subsidiary</u>	<u>No. of Shareholding (in thousands)</u>	<u>Carrying amount</u>	<u>Market Value</u>
Shinkong Asset Management Co., Ltd.	<u>804</u>	<u>\$ 13,174</u>	<u>\$ 34,364</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.

XXV. Revenue

	<u>2022</u>	<u>2021</u>
Revenue from contracts with customers		
Revenue from the sale of textiles	\$ 2,220,377	\$ 1,755,377
Retail sale/Revenue from sale of garment	760,688	642,618
Rental revenue	367,621	350,315
Other	<u>603</u>	<u>604</u>
	<u>\$ 3,349,289</u>	<u>\$ 2,748,914</u>

(I) Explanation of customer contracts

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.

(II) Contract balance

	December 31, 2022	December 31, 2021	January 1, 2021
Notes receivable (Note 10)	\$ 9,915	\$ 29,684	\$ 7,195
Accounts receivable (Note 10)	<u>339,152</u>	<u>400,077</u>	<u>321,297</u>
	<u>\$ 349,067</u>	<u>\$ 429,761</u>	<u>\$ 328,492</u>
Contract liabilities			
Sale of goods	\$ 19,177	\$ 13,307	\$ 33,111
Rental revenue of investment property	<u>10,628</u>	<u>12,736</u>	<u>16,876</u>
Contract liabilities - current	<u>\$ 29,805</u>	<u>\$ 26,043</u>	<u>\$ 49,987</u>

(III) Breakdown of revenue from contracts with customers

Please refer to Note 37 for the breakdown of revenue from contracts with customers.

XXVI. Net income in the year

(I) Interest income

	2022	2021
Bank deposits	\$ 6,570	\$ 426
Other	<u>40</u>	<u>49</u>
	<u>\$ 6,610</u>	<u>\$ 475</u>

(II) Other income

	2022	2021
Dividend income	\$ 362,884	\$ 281,990
Other	<u>2,173</u>	<u>4,653</u>
	<u>\$ 365,057</u>	<u>\$ 286,643</u>

(III) Other gains and losses

	2022	2021
Gains (losses) on financial assets and financial liabilities		
Financial assets designated as at fair value through profit or loss	( \$ 16,162 )	\$ 9,014
Financial assets mandatorily measured at fair value through profit or loss	66,028	2,998
Gain/(loss) on disposal of property, plant and equipment	( 669 )	( 4,898 )
Disposal of investment properties' profit	1,511,741	-
Net foreign exchange gain (losses)	66,274	( 12,316 )
Other expenses	<u>( 72,935 )</u>	<u>( 14,709 )</u>
	<u>\$ 1,554,277</u>	<u>( \$ 19,911 )</u>

All the consolidated Company's land of 200-07, 200-10, 200-11, 200-12, Section 4, Yangming Section, Shilin District, Taipei City to build the factory building: Due to the continuous impact of the epidemic, the shortage of domestic labor has not been reduced, and the imbalance of raw material supply caused by the Russia-Ukraine war still remains, which affects the bidding willingness of construction factories, and the bidding price of construction factories exceeds the estimated price. Referring to the price index of construction engineering (general index) Table, the index of 2022 and 2021 has increased by 27% compared with the 2018 since the planning of this project began, which is more than the index gap in the same period in nearly 30 years. As decided by the Board of Directors to suspend the development, the pre-development cost of NT\$67,922 thousand was transferred to the loss and itemized in the account.

(IV) Finance costs

	2022	2021
Interest on bank borrowings	\$ 32,534	\$ 22,083
Interest on short-term bills	3,599	5,354
Interest on lease liabilities	1,686	934
Less: Amount that meets the demand of asset cost is listed	( <u>1,381</u> )	<u>-</u>
	<u>\$ 36,438</u>	<u>\$ 28,371</u>

Interest capitalization information is as follows:

	2022	2021
Amount of interest capitalization	\$ 1,381	\$ -
Interest of interest capitalization	1.4797%~2.2290%	-

(V) Depreciation and amortization

	2022	2021
Depreciation expense is summarized by function		
Operating costs	\$ 96,354	\$ 90,113
Operating expenses	<u>48,930</u>	<u>36,372</u>
	<u>\$ 145,284</u>	<u>\$ 126,485</u>
Amortization expense is summarized by function		
Operating costs	\$ 376	\$ 408
Operating expenses	<u>1,774</u>	<u>1,475</u>
	<u>\$ 2,150</u>	<u>\$ 1,883</u>

(VI) Employee benefit expense

	2022	2021
Post-employment benefits		
Defined contribution plans	\$ 16,890	\$ 17,473
Defined benefit plans (Note 23)	<u>116</u>	<u>63</u>
	<u>17,006</u>	<u>17,536</u>
Other employee benefits	<u>520,954</u>	<u>436,224</u>
Total employee benefit expense	<u>\$ 537,960</u>	<u>\$ 453,760</u>
Summarized by functions		
Operating costs	\$ 193,820	\$ 161,570
Operating expenses	<u>344,140</u>	<u>292,190</u>
	<u>\$ 537,960</u>	<u>\$ 453,760</u>

(VII) Compensation to employees and compensation to directors and supervisors

According to the Company's Articles of Incorporation, the compensation to employees shall not be lower than 1% and the compensation to directors and supervisors shall not be higher than 5% of the income before income tax, compensation to employees and compensation to directors and supervisors. Compensation to employees and compensation to directors and supervisors for the years of 2022 and 2021 resolved in the Board of Directors meetings on March 9, 2023 and March 21, 2022, respectively, were as follows:

Accrual rate

	2022	2021
Compensation to employees	1.00%	1.99%
Compensation to Directors and Supervisors	1.00%	1.99%

Amount

	2022	2021
	Cash	Cash
Compensation to employees	<u>\$ 21,800</u>	<u>\$ 9,700</u>
Compensation to Directors and Supervisors	<u>\$ 21,800</u>	<u>\$ 9,700</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, directors and supervisors for 2021 and 2020 and those recognized in the consolidated financial reports for 2021 and 2020.

For information on the compensation to employees, directors and supervisors of the company, please visit the “Market Observation Post System” of Taiwan Stock Exchange.

(VIII) Net gain (loss) on foreign exchange

	2022	2021
Total foreign exchange gains	\$ 80,563	\$ 2,767
Total foreign exchange (losses)	( 14,289 )	( 15,083 )
Net profits (losses)	<u>\$ 66,274</u>	<u>( \$ 12,316 )</u>

XXVII. Income tax

(I) Major components of income tax expenses (benefits) recognized in profit or loss are as follows:

	2022	2021
Current income tax		
Incurred in this year	\$ 59,428	\$ 15,287
Additional tax levied on the unappropriated earnings	3,763	3,703
Adjustments for previous years	( 2,261 )	( 924 )
Land value increment tax	<u>139,749</u>	<u>-</u>
	<u>200,679</u>	<u>18,066</u>
Deferred income tax		
Incurred in this year	11,970	16,124
Land value increment tax	( 20,114 )	<u>-</u>
	<u>( 8,144 )</u>	<u>16,124</u>
Income tax expense recognized in profit or loss	<u>\$ 192,535</u>	<u>\$ 34,190</u>

The adjustment of accounting income and income tax expense is as follows:

	2022	2021
Net income before tax	<u>\$ 2,263,521</u>	<u>\$ 485,073</u>
Net income before tax: Income tax expenses calculated at the statutory tax rate	\$ 424,041	\$ 92,522
Non-deductible expense and loss on tax	184	182
Tax-exempted income	( 349,977 )	( 69,979 )

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	<u>2022</u>	<u>2021</u>
Additional tax levied on the unappropriated earnings	3,763	3,703
Unrecognized deductible temporary difference	( 2,850 )	8,686
Land value increment tax	119,635	-
Adjustment of current income tax expense from previous years in the current year	( <u>2,261</u> )	( <u>924</u> )
Income tax expense recognized in profit or loss	<u>\$ 192,535</u>	<u>\$ 34,190</u>
 (II) Income tax recognized in other comprehensive profit and loss		
	<u>2022</u>	<u>2021</u>
<u>Deferred income tax</u>		
Incurred in this year		
- Translating the financial statements of foreign operations	\$ 32	( \$ 16 )
- Share of other comprehensive profit and loss of associates accounted for using the equity method	<u>1,311</u>	( <u>389</u> )
	<u>\$ 1,343</u>	( <u>\$ 405</u> )
 (III) Current income tax assets and liabilities		
	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Current income tax assets		
Land value increment tax	\$ -	\$ 139,749
Tax refunds receivable	<u>-</u>	<u>46</u>
	<u>\$ -</u>	<u>\$ 139,795</u>
Current income tax liabilities		
Income tax payable	<u>\$ 58,559</u>	<u>\$ 16,728</u>
 (IV) Deferred income tax assets and liabilities		
Changes in deferred income tax assets and liabilities are as follows:		



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
Deferred income tax assets				
Temporary differences				
Exchange differences on translating the financial statements of foreign operations	\$ 1,907	\$ -	( \$ 1,343 )	\$ 564
Loss on inventory write-down	25,321	3,805	-	29,126
Difference on unrealized foreign exchange gain (loss)	1,373	( 1,373 )	-	-
Other	330	( 329 )	-	1
	<u>\$ 28,931</u>	<u>\$ 2,103</u>	<u>( \$ 1,343 )</u>	<u>\$ 29,691</u>
Deferred income tax liabilities				
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	761,431	( 20,114 )	-	741,317
	<u>\$ 767,723</u>	<u>( \$ 6,041 )</u>	<u>\$ -</u>	<u>\$ 761,682</u>

2021

	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
Deferred income tax assets				
Temporary differences				
Exchange differences on translating the financial statements of foreign operations	\$ 1,502	\$ -	\$ 405	\$ 1,907
Loss on inventory write-down	29,525	( 4,204 )	-	25,321
Difference on unrealized foreign exchange gain (loss)	\$ 5,298	( \$ 3,925 )	\$ -	\$ 1,373
Other	<u>6,474</u>	<u>( 6,144 )</u>	<u>-</u>	<u>330</u>
	<u>\$ 42,799</u>	<u>( \$ 14,273 )</u>	<u>\$ 405</u>	<u>\$ 28,931</u>
Deferred income tax liabilities				
Temporary differences				
Defined benefit retirement plans	\$ 2,543	\$ 176	\$ -	\$ 2,719
Gains (losses) on foreign investments accounted for using the equity method	1,898	1,675	-	3,573
Land value increment tax	<u>761,431</u>	<u>-</u>	<u>-</u>	<u>761,431</u>
	<u>\$ 765,872</u>	<u>\$ 1,851</u>	<u>\$ -</u>	<u>\$ 767,723</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\$ 741,317 thousand and NT\$761,431 thousand separately (under deferred income tax liabilities) was recognized as of December 31, 2022 and 2021.

- (V) Deductible temporary difference for which no deferred income tax assets have been recognized in the consolidated balance sheets

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Deductible temporary difference		
Impairment loss	<u>\$ 7,187</u>	<u>\$ 12,673</u>

(VI) Income tax assessment

The business income tax returns of the company, and its subsidiaries Shinkong Asset Management Co., LTD, Xin Fu Development, Hua Yang Motor and One Full, through 2020 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, they had accrued tax payable and income tax expense.

Pursuant to Article 40 of the Business Mergers and Acquisitions Act, the consolidated Company is elected to be the tax payer to file a combined final business income tax return as well as declare the unappropriated earnings with an additional business income tax with the 100%-owned Shinkong Asset.

XXVIII. Earnings per Share (EPS)

	Unit: NT\$ per Share	
	2022	2021
Basic EPS	<u>\$ 6.92</u>	<u>\$ 1.51</u>
Diluted EPS	<u>\$ 6.91</u>	<u>\$ 1.51</u>

Net income and weighted average number of common stocks used for the calculation of EPS are as follows:

Net income in the year

	2022	2021
Net income for the calculation of basic EPS	<u>\$ 2,070,986</u>	<u>\$ 450,883</u>
Net income for the calculation of diluted EPS	<u>\$ 2,070,986</u>	<u>\$ 450,883</u>

Number of shares

	Unit: In Thousands of Shares	
	2022	2021
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>594</u>	<u>271</u>
Weighted average number of common shares used for calculation of diluted earnings per share	<u>299,831</u>	<u>299,508</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.

## XXIX. Cash Flow Information

### (I) Non-cash transactions

Besides disclosures in other notes, the consolidated Company engaged in the following non-cash investing activities for the years of 2022 and 2021:

1. The consolidated Company reclassified prepayments for equipment of NT\$29,046 thousand and NT\$29,500 thousand to PP&E for the years of 2022 and 2021, respectively (please refer to Note 15 for details);
2. The consolidated Company reclassified prepaid land expenses of NT\$23,578 thousand to PP&E of NT\$ 220 thousand for the year of 2022 (please refer to Note 18 for details);
3. The consolidated Company reclassified prepaid expenses of NT\$2,162 thousand to PP&E for the year of 2022 (please refer to Note 15 for details)
4. The consolidated Company reclassified construction in process of NT\$29 thousand to miscellaneous purchases in 2022 (please refer to Note 15 for details);
5. The consolidated Company reclassified construction in process of NT\$59,315 thousand to sundry expenses in 2022 (please refer to Note 15 for details);
6. The consolidated Company reclassified prepaid for sale NT\$86,918 thousand to investment properties in 2022 (please refer to 16 for details);
7. The consolidated Company reclassified prepaid expenses of NT\$180 thousand to intangible assets in 2022 (please refer to Note 18 for details);
8. 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 in 2022 (please refer to Note 19 for details)
9. The amount of cash collected by the consolidated Company from disposal of non-current assets to be sold in 2022 is adjusted as follows:

	<u>Amount</u>
Disposal of the price	\$ 1,630,766
Changes number of received prepayment for real estate	( 815,280 )
Changes number of temporary payments	( 103 )
Cash received in the period	<u>\$ 815,383</u>

(II) Changes in liabilities from financing activities

2022

	January 1, 2022	Cash Flows	Non-cash Changes					Number of Interest Paid	December 31, 2022
			Additional Leases	Interest Expenses	Remeasurement on Lease Modifications	Remeasure ment on Termination	Other		
Lease liabilities (Note 16)	<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>

2021

	January 1, 2022	Cash Flows	Non-cash Changes					Number of Interest Paid	December 31, 2021
			Additional Leases	Interest Expenses	Remeasurement on Lease Modifications	Remeasure ment on Termination	Other		
Lease liabilities (Note 16)	<u>\$107,677</u>	<u>( \$ 44,573 )</u>	<u>\$114,840</u>	<u>\$ 934</u>	<u>( \$ 21,983 )</u>	<u>( \$ 264 )</u>	<u>( \$ 690 )</u>	<u>( \$ 934 )</u>	<u>\$155,007</u>

XXX. 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.

XXXI. Financial instruments

(I) 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.

(II) Information on fair value - financial instruments measured at fair value on a recurring basis

1. Fair value hierarchy

December 31, 2022

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<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>
<u>Financial assets at fair value through other comprehensive profit and loss</u>				
Investments in equity instruments				
- Domestic stocks listed or emerging stocks	\$ 4,643,454	\$ -	\$ -	\$ 4,643,454
- Domestic stocks not listed	<u>-</u>	<u>-</u>	<u>1,888,997</u>	<u>1,888,997</u>
Total	<u>\$ 4,643,454</u>	<u>\$ -</u>	<u>\$ 1,888,997</u>	<u>\$ 6,532,451</u>

December 31, 2021

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Measured at fair value through profit or loss</u>				
Domestic stocks listed or emerging stocks	\$ 44,860	\$ -	\$ -	\$ 44,860
Fund beneficiary certificates	<u>127,602</u>	<u>-</u>	<u>-</u>	<u>127,602</u>
Total	<u>\$ 172,462</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 172,462</u>
<u>Financial assets at fair value through other comprehensive profit and loss</u>				
Investments in equity instruments				

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	Level 1	Level 2	Level 3	Total
- Domestic stocks listed or emerging stocks	\$ 4,747,710	\$ -	\$ -	\$ 4,747,710
- Domestic stocks not listed	-	-	1,672,275	1,672,275
Total	<u>\$ 4,747,710</u>	<u>\$ -</u>	<u>\$ 1,672,275</u>	<u>\$ 6,419,985</u>

There was no transfer between Level 1 and Level 2 fair value measurements in 2022 and 2021.

2. Reconciliation of Level 3 fair value measurement of financial instruments

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	( 325 )
Balance at the end of the year	<u>\$ 1,888,997</u>

2021

Financial assets	Financial assets at fair value through other comprehensive profit and loss Equity instruments
Balance at the beginning of the year	\$ 1,739,119
Recognized in other comprehensive profit and loss (unrealized gains (losses) on financial assets at fair value through other comprehensive profit and loss)	( 60,275 )
Addition	10,000
Proceeds from capital reduction	( 16,569 )
Balance at the end of the year	<u>\$ 1,672,275</u>

### 3. 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 35%.

#### (III) Category of financial instruments

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Financial assets</u>		
Measured at fair value through profit or loss		
Mandatorily measured at fair value through profit or loss	\$ 540,132	\$ 127,602
Designated as at fair value through profit or loss	28,698	44,860
Financial assets at amortized cost (Note 1)	1,821,363	1,878,392
Financial assets at fair value through other comprehensive profit and loss		
Investments in equity instruments	6,532,451	6,419,985
<u>Financial liabilities</u>		
Measured at amortized cost (Note 2)	3,896,939	4,318,613

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.



(IV) 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.

1. 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):

(1) 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 35.

### 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 profit after tax for a 1% appreciation of NTD against USD. A 1% depreciation of NTD against USD will have an equal but opposite impact on net profit after tax.

Unit: In Thousands of New Taiwan Dollars

	Impact of USD	
	2022	2021
Profit or loss	\$ 7,798(i)	\$ 6,725(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.

#### (2) 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, 2022</u>	<u>December 31, 2021</u>
Fair value interest rate risk		
Financial assets	\$ 789,438	\$ 1,800
Financial liabilities	184,794	155,007
Cash flow interest rate risk		
Financial assets	888,617	1,408,615
Financial liabilities	3,229,082	3,658,598

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 profit after tax would increase/decrease by NT\$18,724 thousand and NT\$18,000 thousand for the years of 2022, and 2021,

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 2022 was mainly due to an increase in borrowings at floating interest rates.

### (3) 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 2022 and 2021, if the equity price increased/decreased by 1%, the profit or loss after tax would increase/decrease by NT\$287 thousand and NT\$449 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\$65,325 thousand and NT\$64,200 thousand, respectively, due to the increase/decrease in the fair value of financial assets at fair value through other comprehensive profit and loss.

## 2. 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.

### 3. 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.

#### (1) 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, 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
Short-term bills payable	~	<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>

#### December 31, 2021

	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	0.758~1.01	\$ 3,810	\$ 10,813	\$ 36,400	\$ 91,300	\$ 16,283
Short-term borrowings	0.85~1.49	550,000	\$ 1,430,000	500,000	-	-
Short-term bills payable	0.30~0.79	459,767	718,831	-	-	-
		<u>\$ 1,013,577</u>	<u>\$ 2,159,644</u>	<u>\$ 536,400</u>	<u>\$ 91,300</u>	<u>\$ 16,283</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>\$ 51,023</u>	<u>\$ 91,300</u>	<u>\$ 16,283</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.

#### (2) Line of credit

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Credit facilities		
- Amount used	\$ 3,229,082	\$ 2,480,000
- Unused amount	<u>8,250,918</u>	<u>8,150,000</u>
	<u>\$ 11,480,000</u>	<u>\$ 10,630,000</u>
Credit from commercial papers		
- Amount used	\$ -	\$ 1,180,000
- Unused amount	<u>1,350,000</u>	<u>170,000</u>
	<u>\$ 1,350,000</u>	<u>\$ 1,350,000</u>

#### XXXII. 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:

(I) 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.	Related party in substance
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 Optronics 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
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
Chichen 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

(II) Operating transactions

Financial Statement Account	Type/Name of Related Party	2022	2021
Sales revenue	Shinkong Mitsukoshi		
	Department Store Co., Ltd.	\$ 256,533	\$ 205,705
	Shinkong Insurance Co., Ltd.	15,258	26,166
	Related party in substance	<u>17,977</u>	<u>12,291</u>
		<u>\$ 289,768</u>	<u>\$ 244,162</u>
Rental revenue	Yi Guang International		
	Apartments Maintenance		
	and Management Co., Ltd.	\$ 41,106	\$ 43,654
	Shin Kong Wu Ho-Su		
	Memorial Hospital under		
	Shin Kong Medical		
	Foundation	39,094	39,094
	Taishin International Bank		
	Co., Ltd.	26,892	26,515
	UBright Optronics Corp.	21,425	20,779
	Related party in substance	<u>10,606</u>	<u>10,126</u>
		<u>\$ 139,123</u>	<u>\$ 140,168</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.

(III) Purchases

Financial Statement Account	Type/Name of Related Party	2022	2021
Purchases	Chyang Sheng Dyeing &		
	Finishing Co., Ltd.	\$ 156,826	\$ 96,356
	Shinkong Synthetic Fibers		
	Corporation	<u>37,084</u>	<u>55,391</u>
		<u>\$ 193,910</u>	<u>\$ 151,747</u>

The Company's transaction terms for purchases from related parties above are not significantly different from those of the unrelated parties.

(IV) Contract liabilities

Type of Related Party	December 31, 2022	December 31, 2021
Related party in substance	<u>\$ 6,061</u>	<u>\$ 6,194</u>



The contract liabilities above include advance receipts for sales of goods and leasing of investment properties.

(V) Receivables from related parties (excluding loans and contract assets to related parties)

Financial Statement Account	Type of Related Party	December 31, 2022	December 31, 2021
Notes receivable	Related party in substance	\$ <u>8</u>	\$ <u>10</u>
Accounts receivable	Shinkong Mitsukoshi Department Store Co., Ltd.	\$ 44,831	\$ 40,397
	Related party in substance	<u>1,854</u>	<u>2,856</u>
		\$ <u>46,685</u>	\$ <u>43,253</u>
Other receivables	Related party in substance	\$ <u>-</u>	\$ <u>4</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 2022 and 2021.

(VI) Payables to related parties (excluding borrowings from related parties)

Financial Statement Account	Type of Related Party	December 31, 2022	December 31, 2021
Notes payable	Related party in substance	\$ <u>36,641</u>	\$ <u>38,720</u>
Accounts payable	Related party in substance	\$ <u>6,612</u>	\$ <u>6,724</u>
Other payables	Related party in substance	\$ <u>1,822</u>	\$ <u>1,186</u>

No collateral is provided for the outstanding amount of payables to related parties.

(VII) Prepayments

Type of Related Party	December 31, 2022	December 31, 2021
Shinkong Synthetic Fibers Corporation	\$ -	\$ 4,650
Shinkong Insurance Co., Ltd.	220	90
Related party in substance	<u>88</u>	<u>219</u>
	\$ <u>308</u>	\$ <u>4,959</u>

(VIII) Lease in agreements

Financial Statement Account	Type of Related Party	December 31, 2022	December 31, 2021
Lease liabilities	Chyang Sheng Dyeing & Finishing Co., Ltd.	\$ 56,157	\$ 5,844
Lease liabilities	Shin Kong Life Insurance Co., Ltd.	-	14,548
		<u>\$ 56,157</u>	<u>\$ 20,392</u>

Type/Name of Related Party	2022	2021
<u>Interest Expenses</u>		
Chyang Sheng Dyeing & Finishing Co., Ltd.	\$ 373	\$ 123
Shin Kong Life Insurance Co., Ltd.	10	274
	<u>\$ 383</u>	<u>\$ 397</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.

(IX) 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, 2022	December 31, 2021
Shin Kong Wu Ho-Su Memorial Hospital under Shin Kong Medical Foundation	\$ 35,836	\$ 74,929
UBright Optronics Corp.	59,236	51,795
Taishin International Bank Co., Ltd.	83,548	109,413
Related party in substance	31,615	27,875
	<u>\$210,235</u>	<u>\$264,012</u>

Please refer to Note 32(2) Operating Revenue for information on rental revenue.

## (X) Disposal of investment properties

Type/Name of Related Party	Disposal of the price		Gains (Losses) on Disposal	
	2022	2021	2022	2021
Shin Kong Wu Ho-Su Memorial Hospital under Shin Kong Medical Foundation	<u>\$ 1,630,766</u>	<u>\$ -</u>	<u>\$ 1,511,741</u>	<u>\$ -</u>

## (XI) Acquired other assets

Type/Name of Related Party	Financial Statement Account	Acquired the Price	
		2022	2021
Chyang Sheng Dyeing & Finishing Co., Ltd.	Right-of-use assets - buildings	<u>\$ 63,281</u>	<u>\$ -</u>

## (XII) Disposal of other Assets

Type/Name of Related Party	Financial Statement Account	Disposal of the price		Gains (Losses) on Disposal	
		2022	2021	2022	2021
Shin Kong Life Insurance Co., Ltd.	Right-of-use assets - buildings	<u>\$ 12,975</u>	<u>\$ -</u>	<u>\$ 342</u>	<u>\$ -</u>

## (XIII) Acquisition of intangible assets

Unit: In Thousands of Shares

<u>2022</u>				
Name of Related Party	Financial Statement Account	No. of Transaction Unit	Underlying Securities	Acquired the 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	<u>\$ 32,159</u>
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>

2021

Name of Related Party	Financial Statement Account	No. of Transaction Unit	Underlying Securities	Acquired the Price
Chyang Sheng Dyeing & Finishing Co., Ltd.	Financial assets at fair value through other comprehensive profit and loss - current	8,740	Chyang Sheng Dyeing & Finishing Co., Ltd. - common stocks	<u>\$ 120,495</u>

(XIV) Disposal of financial assets

Unit: In Thousands of Shares

2021

Name of Related Party	Financial Statement Account	No. of stock exchange	Underlying Securities	Disposal of the price	Gains and 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>

(XV) Endorsements and guarantees

Endorsements and guarantees provided to others

Type/Name of Related Party	December 31, 2022	December 31, 2021
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>

(XVI) Other

Financial Statement Account	Type of Related Party	December 31, 2022	December 31, 2021
Cash and cash equivalent	TAIWAN SHIN KONG COMMERCIAL BANK CO., LTD.	\$ 254,379	\$ 581,900
	Taishin International Bank Co., Ltd.	87,778	82,792
	Related party in substance	<u>78</u>	<u>78</u>
		<u>\$ 342,235</u>	<u>\$ 664,770</u>

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Financial Statement Account	Type of Related Party	December 31, 2022	December 31, 2021
Refundable deposits	Chyang Sheng Dyeing & Finishing Co., Ltd.	\$ 3,409	\$ 3,202
	Shin Kong Life Insurance Co., Ltd.	-	3,456
	Shin Kong Wu Ho-Su Memorial Hospital under Shin Kong Medical Foundation	3,842	-
	Related party in substance	<u>20</u>	<u>522</u>
		<u>\$ 7,271</u>	<u>\$ 7,180</u>
Received prepayment for real estate	Shin Kong Wu Ho-Su Memorial Hospital under Shin Kong Medical Foundation	<u>\$ -</u>	<u>\$ 815,383</u>
Guarantee deposits received	Shin Kong Wu Ho-Su Memorial Hospital under Shin Kong Medical Foundation	\$ 16,289	\$ 36,768
	Related party in substance	<u>12,593</u>	<u>12,512</u>
		<u>\$ 28,882</u>	<u>\$ 49,280</u>
Financial assets at amortized cost	TAIWAN SHIN KONG COMMERCIAL BANK CO., LTD.	<u>\$ 501,800</u>	<u>\$ 1,800</u>
Non-operating income	Chyang Sheng Dyeing & Finishing Co., Ltd.	\$ 268	\$ 174
	Shang De Motor Co., Ltd.	358	193
	Related party in substance	<u>2,055</u>	<u>221</u>
		<u>\$ 2,681</u>	<u>\$ 588</u>
Non-operating expenses	Related party in substance	<u>\$ 10</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, 2022	December 31, 2021
TAIWAN SHINKONG COMMERCIAL BANK CO., LTD.	Shares of Shinkong Insurance Co., Ltd.	10,000 thousands of shares	10,000 thousands of shares
Taishin International Bank Co., Ltd.	Shares of Shinkong Insurance Co., Ltd.	10,000 thousands of shares	10,000 thousands of shares

(XVII) Remuneration to key management

	2022	2021
Short-term employee benefits	\$ 27,685	\$ 25,265
Post-employment benefits	667	610
	<u>\$ 28,352</u>	<u>\$ 25,875</u>

Remuneration to director and key management is determined by the Remuneration Committee based on personal performances and market trends.

XXXIII. Pledged Assets

The following assets have been provided as collateral for borrowings:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Financial assets at fair value through other comprehensive profit and loss - non-current	\$ 2,051,880	\$ 1,922,480
Investment properties	2,857,111	2,877,820
Pledged time deposits (recognized as financial assets at amortized cost)	1,800	1,800
	<u>\$ 4,910,791</u>	<u>\$ 4,802,100</u>

XXXIV. 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

- (I) As of December 31, 2022 and 2021, the guaranteed notes submitted by the consolidated Company for import credits and other businesses amounted to NT\$28,851 thousand and NT\$25,748 thousand, respectively.

(II) Due to the construction of plant office buildings, the consolidated Company signed the following agreements:

1. The service contract of architectural planning, design and supervision was NT\$12,897 thousand. As of December 31, 2022, NT\$6,009 thousand of architectural design and supervision has been paid.
2. The service contract of appointment of building manager was NT\$ 6,000 thousand. As of December 31, 2022, NT\$2,400 thousand of project management has been paid.
3. The contract for work of building project was NT\$1,035,000 thousand. As of December 31, 2022, NT\$77,966 thousand of project has been paid.

XXXV. 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, 2022

	<u>Foreign Currency</u>	<u>Exchange Rate</u>	<u>Carrying amount</u>
<u>Assets denominated in foreign currency</u>			
<u>Monetary items</u>			
USD	\$ 31,843	30.71	\$ 977,898
Euro	363	32.72	11,869
BP	76	37.09	2,825
<u>Liabilities denominated in foreign currency</u>			
<u>Monetary items</u>			
USD	101	30.71	3,089
Euro	10	32.72	339

December 31, 2021

	<u>Foreign Currency</u>	<u>Exchange Rate</u>	<u>Carrying amount</u>
<u>Assets denominated in foreign currency</u>			
<u>Monetary items</u>			
USD	\$ 30,669	27.68	\$ 848,920
Euro	490	31.32	15,361

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<u>Liabilities denominated in foreign currency</u>	<u>Foreign Currency</u>	<u>Exchange Rate</u>	<u>Carrying amount</u>
<u>Monetary items</u>			
USD	299	27.68	8,269
Euro	121	31.32	3,793

The consolidated Company's (realized and unrealized) foreign exchange gains and losses for the years of 2022 and 2021 amounted to a profit of NT\$66,274 thousand and a loss of NT\$12,316 thousand, respectively. Since the Company transacts in a number of foreign currencies, foreign exchange gain (loss) cannot be disclosed by foreign currencies with significant impact.

**XXXVI. Additional Disclosures in the following Note**

**(I) Related Information on Significant Transactions:**

1. Financing provided to others. (Table 1)
2. Endorsements and guarantees provided to others. (Table 2)
3. Marketable securities held at the end of this period (excluding investments in subsidiaries, associates and controlled joint ventures). (Table 3)
4. Individual securities acquired or disposed of with accumulated amount of at least NT\$300 million or 20% of the paid-in capital. (None)
5. Acquisition of individual real estate with amount of at least NT\$300 million or 20% of the paid-in capital. (None)
6. Disposal of individual real estate with amount of at least NT\$300 million or 20% of the paid-in capital. (None)
7. Related party transactions with purchase or sales amount of at least NT\$100 million or 20% of the paid-in capital. (Table 4)
8. Accounts receivables from related parties of at least NT\$100 million or 20% of the paid-in capital. (None)
9. Derivative financial instrument transactions. (None)
10. Others: Intercompany relationships and significant intercompany transactions. (None)

**(II) Related Information on Investees: (Table 5)**

**(III) Information on Investments in Mainland China:**



1. 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 6)
2. 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)
  - (1) Purchase amount and percentage, and the closing balance and percentage of the related payables.
  - (2) Sales amount and percentage, and the closing balance and percentage of the related receivables.
  - (3) Property transaction amount and the resulting gain or loss.
  - (4) Ending balances and purposes of endorsements/guarantees or collateral provided.
  - (5) The maximum balance, ending balance, interest rate range and total amount of interest of financing for the current year.
  - (6) Other transactions having a significant influence on profit or loss or financial status of the current year, such as providing or receiving services.
- (IV) Information on major shareholders: Name, number of shares held, and shareholding percentage of shareholders with shareholding percentage exceeding 5%. (Table 7)

#### XXXVII. 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)

- (I) Department revenue and operation performance

The revenue and operation performance of continuing operations by reportable segments are analyzed as follows:

	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>

	2021			
	Marketing Department	Retail Department	Real Estate Department	Total
Revenue from external customers	\$ 1,755,377	\$ 643,713	\$ 349,824	\$ 2,748,914
Intersegment revenue	<u>8,475</u>	<u>2,202</u>	<u>7,308</u>	<u>17,985</u>
Segment revenue	<u>\$ 1,763,852</u>	<u>\$ 645,915</u>	<u>\$ 357,132</u>	2,766,899
Internal elimination				( <u>17,985</u> )
Consolidated revenue				<u>\$ 2,748,914</u>
Segment profit or loss	<u>\$ 72,492</u>	<u>\$ 15,179</u>	<u>\$ 223,611</u>	\$ 311,282
Indirect expenses				( 111,058 )
Interest income				475
Other income				286,643
Other gains and losses				( 19,911 )
Finance costs				( 28,371 )
Share of profit (loss) of associates and joint ventures accounted for using the equity method				<u>46,013</u>
Net income before tax				<u>\$ 485,073</u>

Segment profit or loss refers to the profit made by each segment and excludes non-operating income and expense nor income tax expense. The amounts are reported to the chief operating decision-maker for the purpose of resource allocation and assessment of segment performance.

(II) Information about major customers

No other single customer accounted for 10% or more of the consolidated Company's revenue for the years of 2022 and 2021.

Shinkong Textile Co., Ltd. and Subsidiaries  
Financing provided to others  
2022

Table I

Unit: In Thousands of New Taiwan Dollars

No.	The Company provided financing to others	Counterparty	Transaction's Item	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 Financing Amount	Note
													Name	Value			
0	Shinkong Textile Co., Ltd.	Xin Fu Development Co., Ltd.	Receivables from related parties	Yes	\$ 80,000	\$ -	\$ -	1%	Necessity of short-term financing	\$ -	Operating turnover	\$ -		\$ -	\$ 1,174,294	\$ 4,697,177	Note 2
1	Shinkong Asset Management Co., Ltd.	Xin Fu Development Co., Ltd.	Receivables from related parties	Yes	80,000	80,000	70,000	1.3-1.61%	Necessity of short-term financing	-	Operating turnover	-		-	1,229,390	8,220,059	Note 3
1	Shinkong Asset Management Co., Ltd.	Shinkong Textile Co., Ltd.	Receivables from related parties	Yes	300,000	300,000	-	1.64%	Necessity of short-term financing	-	Operating turnover	-		-	1,229,390	8,220,059	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. Shinkong Textile Co., Ltd. Financing Provided:

Total lending amount to firms or companies requiring short-term financing shall not exceed 40% of the Company's net worth and the lending amount to a single enterprise shall not exceed 10% of the Company's net worth.

Maximum amount of financing to companies or firms requiring short-term financing: 11,742,942 x 40% = 4,697,177

The maximum amount permitted to a single borrower: 11,742,942 x 10% = 1,174,294

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: 11,742,942 x 70% = 8,220,059

The maximum amount permitted to a single borrower: 11,742,942 x 20% = 2,348,588; 3,073,475 x 40% = 1,229,390

Shinkong Textile Co., Ltd. and Subsidiaries  
Endorsements and guarantees provided to others  
2022

Table II

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	\$ 2,348,588	\$ 72,360	\$ 72,360	\$ 72,360	\$ -	0.6%	\$ 5,871,471	N	N	N	Note 3
1	Shinkong Asset Management Co., Ltd.	Shinkong Textile Co., Ltd.	3	11,742,942	1,350,000	1,350,000	1,350,000	1,350,000	11.5%	11,742,942	N	Y	N	Note 3
2	Hua Yang Motor Co., Ltd.	Shinkong Textile Co., Ltd.	3	11,742,942	710,000	710,000	710,000	710,000	6.1%	11,742,942	N	Y	N	Note 3
2	Hua Yang Motor Co., Ltd.	Shinkong Asset Management Co., Ltd.	3	11,742,942	710,000	710,000	710,000	710,000	6.1%	11,742,942	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  $11,742,942 \times 50\% = 5,871,471$  and the maximum endorsement and guarantee for a single entity was the net worth of  $11,742,942 \times 20\% = 2,348,588$  for the year of 2022.

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, 2022

Table III

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 thousands)	Carrying amount	Shareholding (%)	Fair value	
Shinkong Textile Co., Ltd.	Beneficiary certificates Yuanta/P-shares Taiwan Top 50 ETF	None	Financial assets at fair value through profit or loss - current	1,060	\$ 116,812	-	\$ 116,812	
	GSO Fund	None	"	18	61,558	-	61,558	
	COTTONWOOD Fund	None	"	9	352,052	-	352,052	
	Stocks - Listed Company Asia Pacific Telecom Co., Ltd.	None	"	524	3,198	0.01	3,198	
	TacBright Optronics Corporation	(6)	"	5,000	25,500	1.08	25,500	
Shinkong Asset Management Co., Ltd.	Beneficiary certificates Shin Kong Taiwan High Dividend Fund	(6)	"	1,000	9,710	-	9,710	
					<u>\$ 568,830</u>		<u>\$ 568,830</u>	
Shinkong Textile Co., Ltd.	Stocks - Listed Company Chyang Sheng Dyeing & Finishing Co., Ltd.	(3)	Financial assets at fair value through other comprehensive profit and loss - current	32,629	\$ 480,889	19.41	\$ 480,889	
	Shinkong Synthetic Fibers Corporation	(4)	"	56,104	984,630	3.47	984,630	
	Taishin Financial Holding Co., Ltd.	(6)	"	7,500	113,251	0.06	113,251	
	Shin Kong Financial Holding	(6)	"	4,609	40,419	0.03	40,419	
	Chyang Sheng Dyeing & Finishing Co., Ltd.		"	413	5,909	0.24	5,909	
Shinkong Asset Management Co., Ltd.		Shinkong Assets is the company's corporate director			<u>\$ 1,625,098</u>		<u>\$ 1,625,098</u>	
Shinkong Textile Co., Ltd.	Stocks - Listed Company Xintec Inc.	None	Financial assets at fair value through other comprehensive profit and loss - non-current	141	\$ 13,578	0.05	\$ 13,578	
	O-Bank Co., Ltd.	None	"	10,385	87,128	0.34	87,128	
	The Great Taipei Gas Corporation	(6)	"	10,738	334,489	2.08	334,489	
	Taishin Financial Holding Co., Ltd. - preferred stocks E	(6)	"	228	11,769	0.03	11,769	

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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 thousands)	Carrying amount	Shareholding (%)	Fair value	
Shinkong Asset Management Co., Ltd.	Shinkong Insurance Co., Ltd.	(1)	Financial assets at fair value through other comprehensive profit and loss - non-current	51,540	\$ 2,517,706	16.31	\$ 2,517,706	10,000 thousands of shares were collateralized to Shin Kong Bank and Taishin International Bank separately with a market value of NT\$977,000 thousand
	Taishin Financial Holding Co., Ltd. - preferred stocks E (Second) Unlisted companies	(6)	"	137	6,476	0.05	6,476	
	Tong Hsin Water Business Inc.	(1)	"	1,982	22,763	9.83	22,763	
	Taian Insurance Co., Ltd.	None	"	2,049	60,905	0.69	60,905	
	Shin Kong Chao Feng Co., Ltd.	(5)	"	200	30,865	2.22	30,865	
	Shinkong Mitsukoshi Department Store Co., Ltd.	(4)	"	41,275	1,386,442	3.31	1,386,442	32,000 thousand shares were collateralized to ChinaTrust Commercial Bank with a market value of 1,074,880 thousand
	Shin Kong Recreation Co., Ltd.	(2)	"	650	219,192	3.32	219,192	
	Eastern International Ad.	None	"	-	284	0.90	284	
	Li Yu Venture Capital Co., Ltd.	None	"	209	2,644	1.79	2,644	
	Taiwan Zeniya Interior Design Co., Ltd.	None	"	-	16,589	8.00	16,589	
	Global Securities Finance Corp.	None	"	98	979	0.53	979	
	IRSO Precision Co., Ltd.	None	"	1,000	3,141	4.93	3,141	
	KHL IB Venture Capital	None	"	2,489	39,463	2.98	39,463	
	Mega Solar Energy Co., Ltd.	None	"	1,000	10,000	1.25	10,000	
	CYS Investment Co., Ltd.	None	"	10,000	95,731	18.18	95,731	
	Stocks - Listed Company							
	Taishin Financial Holding Co., Ltd.	(6)	"	959	14,480	0.01	14,480	
	Taishin Financial Holding Co., Ltd. - preferred stocks E	(6)	"	29	1,505	-	1,505	
	Taiwan Shin Kong Security Co., Ltd.	(6)	"	777	30,396	0.20	30,396	
	Shinkong Textile Co., Ltd.	Parent company	"	804	32,193	0.27	32,193	
	Taishin Financial Holding Co., Ltd. - preferred stocks E (Second)	(6)	"	17	828	-	828	
	Less: Shares of the parent company held by subsidiary				( 32,193 )		( 32,193 )	
					<u>\$ 4,907,353</u>		<u>\$ 4,907,353</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 subsidiary accounted for using the equity method is the company's corporate director.

(4): The company's representative of corporate director is the same person as the Company's representative of corporate chairman.

(5): The company's representative of corporate supervisor and the Company's representative of corporate chairman are relatives within the second degree of kinship.

(6): 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  
Disposal of individual real estate with amount of at least NT\$300 million or 20% of the paid-in capital  
January 1 to December 31, 2022

Table IV

Unit: In Thousands of New Taiwan Dollars, Unless Otherwise Specified

Company disposes the property	Name of property	Date of occurrence	Date of Original Acquisition	Carrying amount	Trading amount	Condition of receipt of price	Gains and Losses on Disposal	Related Party	Relationship	Purpose of disposal	The reference basis for price determination	Other Agreed Matters
Shinkong Asset Management Co., Ltd.	No. 200-3, Section 4, Yangming Section	2021.11.19	2004.1.1	\$ 118,922	\$ 1,630,766	All have been collected	\$ 1,511,741	Shin Kong Medical Foundation	Related party in substance	Realize the benefits to enrich the operating capital	Appraisal report of property professional appraisal agency Dawa Real Estate Appraisal Firm's appraisal amount is NT\$1,608,828 thousand. Jin Han Real Estate Appraisers Joint Firm's appraisal amount is NT\$1,669,768 thousand	None

Note 1: Date of occurrence means the date on which the Board of Directors decided.

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, 2022

Table V

Unit: In Thousands of New Taiwan Dollars

Company Name	Related Party	Relationship	Transaction Details				Abnormal Transactions (Note 1)		Notes and Accounts Receivable (Payable)		Note (Note 2)
			Purchases (Sales)	Amount	Percentage of Total Purchases (Sales) (%)	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	\$ 256,533	8.61%	No material difference from general customers	—	—	\$ 44,831	12.87%	
Chyang Sheng Dyeing & Finishing Co., Ltd.	Shinkong Textile Co., Ltd.	Related party in substance	Purchases	156,826	7.15%	No material difference from general customers	—	—	42,061	11.40%	

Note 1: If the transaction terms with related parties are different from that with general customers, the difference and reasons for the differences shall be specified in the Unit Price and the Credit Period columns.

Note 2: In case of advance receipts (prepayments), reasons, the terms of the agreement, the amount and differences from the general transaction type shall be specified in the Note column.

Note 3: Paid-up capital refers to the paid-up capital of the parent company. When the issuer's stock has no par value, or the par value is not NT\$10 per share, the maximum transaction amount related to 20% of the paid-in capital is calculated based on 10% of equity attributable to owners of the parent in the balance sheet.

Shinkong Textile Co., Ltd. and Subsidiaries  
Names, locations, and other information of investees  
January 1 to December 31, 2022

Table VI

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	25,490	100.00	\$ 3,041,282	\$ 1,410,460	\$ 1,409,656	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	363,569	18,581	9,084	
"	SK INNOVATION CO., LTD.	Portcullis Trust Net Chambzs, P.O. Box1225, Apia, Samoa	General investment business	21,424	21,424	700	100.00	8,067	( 2,732 )	( 2,732 )	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	300,027	142,954	47,890	
"	WPI-High Street LLC	5190 Campus Dr., Newport Beach, CA 92660	General investment business	74,656	65,885	-	35.71	55,332	47,009	16,787	
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	764,862	764,862	20,000	100.00	769,211	2,472	2,427	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	382,623	43,747	43,747	Second-tier subsidiary
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.	76,000	76,000	7,600	100.00	33,426	( 8,489 )	( 8,489 )	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, 2022

Table VII

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 profit or loss recognized in the current period (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	( \$ 2,732 )	100	( \$ 2,732 ) (2)-C	\$ 8,064	\$ -	-

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 the Mainland through SK INNOVATION CO., LTD. in the third area.
- (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	\$ 1,000 USD 30,710TWD	\$ 7,045,765

Shinkong Textile Co., Ltd.  
Information on Major Shareholders  
December 31, 2022

Table VIII

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.

## V. Latest Audited Standalone Financial Statements

### Independent Auditors' Report

To Shinkong Textile Co., Ltd.

#### **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, 2022 and 2021; 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, 2022 and 2021, 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, 2022 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, 2022 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(XIV) 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 maintain 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, 2022. 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 & Touche

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 15, 2023

Shinkong Textile Co., Ltd.  
Parent Company Only Balance Sheets  
December 31, 2022 and 2021

(In Thousands of New Taiwan Dollars)

Code	Assets	December 31, 2022		December 31, 2021	
		Amount	%	Amount	%
	Current assets				
1100	Cash and cash equivalents (Notes 6 and 30)	\$ 663,597	4	\$ 746,846	5
1110	Financial assets at fair value through profit or loss (Note 7)	559,120	4	172,462	1
1120	Financial assets at fair value through other comprehensive income - current (Note 8)	1,619,189	10	1,764,409	13
1150	Notes receivable (Notes 10 and 30)	9,915	-	29,684	-
1170	Accounts receivable (Note 10)	290,228	2	355,770	3
1180	Accounts receivable - related parties, net (Notes 10 and 30)	48,071	-	44,700	-
1200	Other receivables	15,799	-	19,164	-
1210	Other receivables - related parties (Note 30)	819	-	82,382	1
1220	Current tax assets (Note 25)	-	-	46	-
130X	Inventories (Note 11)	1,030,855	7	756,826	5
1410	Prepayments (Note 17)	57,754	-	157,941	1
1470	Other current assets (Note 17)	9	-	12	-
11XX	Total current assets	<u>4,295,356</u>	<u>27</u>	<u>4,130,242</u>	<u>29</u>
	Non-current assets				
1517	Financial assets at fair value through other comprehensive income - non-current (Notes 8, 30 and 31)	4,860,144	30	4,599,348	32
1535	Financial assets at amortized cost - non-current (Notes 9, 30 and 31)	1,800	-	1,800	-
1550	Investments accounted for using the equity method (Note 12)	3,768,277	24	2,375,309	17
1600	Property, plant and equipment (Notes 13 and 27)	367,646	2	351,627	2
1755	Right-of-use assets (Note 14)	172,050	1	146,950	1
1760	Investment properties (Notes XV and 31)	2,614,101	16	2,643,787	19
1780	Other intangible assets (Note 16)	3,181	-	2,338	-
1840	Deferred tax assets (Note 25)	29,691	-	28,602	-
1990	Other non-current assets (Note 17)	24,817	-	36,712	-
15XX	Total non-current assets	<u>11,841,707</u>	<u>73</u>	<u>10,186,473</u>	<u>71</u>
1XXX	Total Assets	<u>\$ 16,137,063</u>	<u>100</u>	<u>\$ 14,316,715</u>	<u>100</u>
	Liabilities and equity				
	Current liabilities				
2100	Short-term borrowings (Notes 18 and 31)	\$ 3,010,000	19	\$ 1,880,000	13
2110	Short-term notes payable (Note 17I)	-	-	1,128,646	8
2130	Contract liabilities - current (Notes 23 and 30)	29,641	-	25,960	-
2150	Notes payable (Note 19)	222,899	2	257,405	2
2160	Notes payable - related parties (Notes 19 and 30)	36,260	-	38,340	-
2170	Accounts payable (Note 19)	103,099	1	97,338	1
2180	Accounts payable - related parties (Notes 19 and 30)	6,612	-	7,653	-
2219	Other payables (Note 20)	163,174	1	116,620	1
2220	Other payables - related parties (Notes 20 and 30)	1,705	-	1,166	-
2230	Current tax liabilities (Note 25)	45,164	-	16,594	-
2280	Lease liabilities - current (Note 14)	42,564	-	46,002	-
2399	Other current liabilities (Note 20)	23,475	-	23,684	-
21XX	Total current liabilities	<u>3,684,593</u>	<u>23</u>	<u>3,639,408</u>	<u>25</u>
	Non-current liabilities				
2570	Deferred tax liabilities (Note 25)	533,901	3	519,828	4
2580	Lease liabilities - non-current (Note 14)	134,581	1	105,094	1
2645	Guarantee deposits received (Note 30)	41,046	-	41,267	-
25XX	Total non-current liabilities	<u>709,528</u>	<u>4</u>	<u>666,189</u>	<u>5</u>
2XXX	Total liabilities	<u>4,394,121</u>	<u>27</u>	<u>4,305,597</u>	<u>30</u>
	Equity (Note 22)				
	Share capital				
3110	Common shares	<u>3,000,413</u>	<u>19</u>	<u>3,000,413</u>	<u>21</u>
3200	Capital surplus	<u>10,010</u>	<u>-</u>	<u>8,928</u>	<u>-</u>
	Retained earnings				
3310	Legal reserve	542,270	4	497,780	4
3320	Special reserve	1,006,548	6	1,006,548	7
3350	Unappropriated earnings	<u>2,777,974</u>	<u>17</u>	<u>1,058,957</u>	<u>7</u>
3300	Total retained earnings	<u>4,326,792</u>	<u>27</u>	<u>2,563,285</u>	<u>18</u>
	Other equity				
3410	Exchange differences on translating the financial statements of foreign operations	( 1,261 )	-	( 6,638 )	-
3420	Unrealized gains (losses) on financial assets at fair value through other comprehensive income	<u>4,420,162</u>	<u>27</u>	<u>4,458,304</u>	<u>31</u>
3400	Total other equity	<u>4,418,901</u>	<u>27</u>	<u>4,451,666</u>	<u>31</u>
3500	Treasury share	( 13,174 )	-	( 13,174 )	-
3XXX	Total equity	<u>11,742,942</u>	<u>73</u>	<u>10,011,118</u>	<u>70</u>
	Total Liabilities and Equity	<u>\$ 16,137,063</u>	<u>100</u>	<u>\$ 14,316,715</u>	<u>100</u>

The accompanying notes are an integral part of the parent company only financial statements.

Chairman: Hsing-En Wu

President: Jui-Nan Chang

Accounting Manager: Su-Chuan Ko

Shinkong Textile Co., Ltd.  
Parent Company Only Statements of Comprehensive Income  
For the Years Ended December 31, 2022 and 2021  
(In Thousands of New Taiwan Dollars, provided that Earnings per share are in NT\$)

Code		2022		2021	
		Amount	%	Amount	%
	Operating revenue (Notes 23 and 30)				
4100	Sales revenue	\$ 2,980,355	95	\$ 2,398,299	94
4300	Rental revenue	157,222	5	153,946	6
4800	Other operating revenue	<u>603</u>	<u>-</u>	<u>604</u>	<u>-</u>
4000	Total operating revenue	<u>3,138,180</u>	<u>100</u>	<u>2,552,849</u>	<u>100</u>
	Operating costs (Notes 11, 24 and 30)				
5110	Cost of goods sold	( 2,325,933 )	( 74 )	( 1,930,334 )	( 75 )
5300	Rental costs	( <u>41,851</u> )	( <u>1</u> )	( <u>42,260</u> )	( <u>2</u> )
5000	Total operating costs	( <u>2,367,784</u> )	( <u>75</u> )	( <u>1,972,594</u> )	( <u>77</u> )
5900	Gross profit	<u>770,396</u>	<u>25</u>	<u>580,255</u>	<u>23</u>
	Operating expenses (Notes 24 and 30)				
6100	Selling and marketing	( 393,416 )	( 12 )	( 326,769 )	( 13 )
6200	General and administrative	( 145,508 )	( 5 )	( 107,804 )	( 4 )
6300	Research and development	( 29,688 )	( 1 )	( 25,941 )	( 1 )
6400	Expected credit losses	<u>1,294</u>	<u>-</u>	( <u>497</u> )	<u>-</u>
6000	Total operating expenses	( <u>567,318</u> )	( <u>18</u> )	( <u>461,011</u> )	( <u>18</u> )
6500	Other operating income and expenses, net	<u>342</u>	<u>-</u>	<u>-</u>	<u>-</u>
6900	Net operating income	<u>203,420</u>	<u>7</u>	<u>119,244</u>	<u>5</u>
	Non-operating income and expenses (Notes 24 and 30)				
7100	Interest income	4,772	-	648	-
7010	Other income	361,974	11	281,555	11
7020	Other gains and losses	112,549	4	( 9,635 )	( 1 )

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Code		2022		2021	
		Amount	%	Amount	%
7050	Finance costs	( \$ 34,704 )	( 1 )	( \$ 21,407 )	( 1 )
7070	Share of profit or loss of subsidiaries, associates and joint ventures accounted for using the equity method	<u>1,480,685</u>	<u>47</u>	<u>96,439</u>	<u>4</u>
7000	Total non-operating income and expenses	<u>1,925,276</u>	<u>61</u>	<u>347,600</u>	<u>13</u>
7900	Income before tax	2,128,696	68	466,844	18
7950	Income tax expense (Note 25)	( <u>57,710</u> )	( <u>2</u> )	( <u>15,957</u> )	-
8200	Net income	<u>2,070,986</u>	<u>66</u>	<u>450,887</u>	<u>18</u>
	Other comprehensive income				
8310	Items that will not be reclassified subsequently to profit or loss:				
8311	Remeasurement of defined benefit plans	4,920	-	( 5,991 )	-
8316	Unrealized gains (losses) on investments in equity instruments at fair value through other comprehensive income	( 16,257 )	-	793,533	31
8330	Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using the equity method	( 34,243 )	( 1 )	( 14,032 )	( 1 )

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Code		2022		2021	
		Amount	%	Amount	%
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	6,720	-	( 2,040 )	-
8399	Income tax relating to items that may be reclassified subsequently to profit or loss	( 1,343 )	-	405	-
8300	Other comprehensive income/(loss) for the year, net of income tax	( 40,203 )	( 1 )	771,875	30
8500	Total comprehensive income	<u>\$ 2,030,783</u>	<u>65</u>	<u>\$ 1,222,762</u>	<u>48</u>
	Earnings per share (Note 26)				
	From continuing operations				
9710	Basic	<u>\$ 6.92</u>		<u>\$ 1.51</u>	
9810	Diluted	<u>\$ 6.91</u>		<u>\$ 1.51</u>	

The accompanying notes are an integral part of the parent company only financial statements.

Chairman: Hsing-En Wu

President: Jui-Nan Chang

Accounting Manager: Su-Chuan Ko

Shinkong Textile Co., Ltd.  
Parent Company Only Statements of Changes in Equity  
For the Years Ended December 31, 2022 and 2021

(In Thousands of New Taiwan Dollars)

Code		Share capital		Capital surplus	Retained earnings			Other equity		Treasury share	Total Equity
		Number of Shares (In Thousand Shares)	Amount		Legal 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, 2021	300,041	\$ 3,000,413	\$ 7,911	\$ 459,911	\$ 1,006,548	\$ 951,961	( \$ 5,019 )	\$ 3,678,813	( \$ 13,174 )	\$ 9,087,364
	Appropriation and distribution of earnings for 2020										
B1	Legal reserve	-	-	-	37,869	-	( 37,869 )	-	-	-	-
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	-	-	213	-	-	-	-	-	-	213
Q1	Disposal of investments in equity instruments at fair value through other comprehensive income	-	-	-	-	-	10	-	( 10 )	-	-
D1	Net income in 2021	-	-	-	-	-	450,887	-	-	-	450,887
D3	Other comprehensive income in 2021, net of tax	-	-	-	-	-	( 5,991 )	( 1,619 )	779,501	-	771,891
D5	Total comprehensive income in 2021	-	-	-	-	-	444,896	( 1,619 )	779,501	-	1,222,778
Z1	Balance at December 31, 2021	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 earnings for 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	<u>300,041</u>	<u>\$ 3,000,413</u>	<u>\$ 10,010</u>	<u>\$ 542,270</u>	<u>\$ 1,006,548</u>	<u>\$ 2,777,974</u>	( <u>\$ 1,261</u> )	<u>\$ 4,420,162</u>	( <u>\$ 13,174</u> )	<u>\$ 11,742,942</u>

The accompanying notes are an integral part of the parent company only financial statements.

Chairman: Hsing-En Wu

President: Jui-Nan Chang

Accounting Manager: Su-Chuan Ko

Shinkong Textile Co., Ltd.  
Parent Company Only Statements of Cash Flows  
For the Years Ended December 31, 2022 and 2021

		(In Thousands of New Taiwan Dollars)	
Code		2022	2021
	Cash flows from operating activities		
A10000	Income before income tax	\$ 2,128,696	\$ 466,844
A20010	Adjustments:		
A20100	Depreciation	135,534	113,354
A20200	Amortization	2,120	1,852
A20300	Expected credit (gain) loss	( 1,294 )	497
A20400	Net gains on financial assets and liabilities at fair value through profit or loss	( 50,156 )	( 12,012 )
A20900	Finance costs	34,704	21,407
A21200	Interest income	( 4,772 )	( 648 )
A21300	Dividend income	( 360,509 )	( 279,724 )
A22400	Share of profit or loss of subsidiaries and associates accounted for using the equity method	( 1,480,685 )	( 96,439 )
A22500	(Gain)/loss on disposal of property, plant and equipment	( 14 )	4,898
A23700	Write-downs of inventories	19,031	-
A23800	Gain from price recovery of inventory	-	( 21,024 )
A24500	Dividends not collected before the designated date reclassified to capital surplus	278	213
A29900	Construction in progress transferred to miscellaneous purchases	29	-
A29900	Gains (losses) on lease modification	( 341 )	-
A30000	Changes in operating assets and liabilities, net		
A31130	Notes receivable	19,769	( 22,532 )
A31150	Accounts receivable	63,465	( 80,342 )
A31180	Other receivables	85,921	9,367
A31200	Inventories	( 293,060 )	( 289,265 )
A31230	Prepayments	( 2,155 )	( 1,606 )
A31240	Other current assets	3	7,725
A32125	Contract liabilities	3,681	( 23,941 )
A32130	Notes payable	( 36,586 )	184,267
A32150	Accounts payable	4,720	45,722
A32180	Other payables	45,462	34,943
A32230	Other current liabilities	( 181 )	21,507
A32240	Net defined benefit liabilities	( 771 )	( 879 )
A33000	Cash generated from operations	312,889	84,184

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Code		2022	2021
A33300	Interest paid	( \$ 31,699 )	( \$ 21,441 )
A33500	Income tax paid	( 17,506 )	( 26,195 )
AAAA	Net cash generated from operating activities	<u>263,684</u>	<u>36,548</u>
	Cash flows from investing activities		
B00010	Acquisition of financial assets at fair value through other comprehensive income	( 32,159 )	( 130,494 )
B00020	Disposal of the financial assets at fair value through other comprehensive income	326	53
B00030	Proceeds from capital reduction of financial assets at fair value through other comprehensive income	-	16,569
B00100	Acquisition of financial assets at fair value through profit or loss	( 417,301 )	( 71,182 )
B00200	Disposal of financial assets at fair value through profit or loss	80,779	98,986
B01800	Acquisition of long-term investment in shares accounted for using the equity method	( 8,772 )	( 9,665 )
B02000	Increase in prepayments for investments	-	( 100,000 )
B02700	Acquisition of property, plant, and equipment	( 46,419 )	( 107,557 )
B02800	Proceeds from disposal of property, plant, and equipment	20	1,548
B03700	Increase in refundable deposits	-	( 5,843 )
B03800	Decrease in refundable deposits	1,960	-
B04300	Other receivables - related parties	( 13 )	( 73,328 )
B04500	Acquisition of intangible assets	( 2,783 )	( 1,972 )
B05400	Acquisition of investment properties	( 627 )	-
B07100	Increase in prepayments for equipment	( 13,420 )	( 12,640 )
B07500	Interest received	4,772	648
B07600	Dividends received from subsidiaries/associates	68,843	47,797
B07600	Other dividends received	<u>360,509</u>	<u>279,724</u>
BBBB	Net cash used in investing activities	( <u>4,285</u> )	( <u>67,356</u> )
	Cash flows from financing activities		
C00100	Increase in short-term borrowings	1,130,000	530,000
C00500	Increase in short-term bills payable	-	270,000
C00600	Decrease in short-term bills payable	( 1,130,000 )	-
C01700	Repayments of long-term borrowings	-	( 190,000 )
C03100	Refund of guarantee deposits received	( 221 )	( 1,214 )
C04020	Repayment of the principal portion of lease liabilities	( 42,386 )	( 37,426 )
C04500	Dividends paid	( <u>300,041</u> )	( <u>300,041</u> )
CCCC	Net cash provided by (used in) financing activities	( <u>342,648</u> )	<u>271,319</u>

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<u>Code</u>		<u>2022</u>	<u>2021</u>
EEEE	Net increase (decrease) in cash and cash equivalents	( \$ 83,249 )	\$ 240,511
E00100	Cash and cash equivalents at beginning of year	<u>746,846</u>	<u>506,335</u>
E00200	Cash and cash equivalents at end of year	<u>\$ 663,597</u>	<u>\$ 746,846</u>

The accompanying notes are an integral part of the parent company only financial statements.

Chairman: Hsing-En Wu

President: Jui-Nan Chang

Accounting Manager: Su-Chuan Ko

Shinkong Textile Co., Ltd.  
Notes to Parent Company Only Financial Statements  
January 1 to December 31, 2022 and 2021  
(In Thousands of New Taiwan Dollars, Unless Otherwise Specified)

I. 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.

II. 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 9, 2023.

III. Application of New and Amended Standards and Interpretations

(I) 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.

(II) Adoption of IFRSs endorsed by the FSC from 2023 onward

New/Revised/Amended Standards and Interpretations	Effective Date Announced by International Accounting Standards Board (IASB)
Amendments to IAS 1 "Disclosure of Accounting Policies"	January 1, 2023 (Note 1)
Amendments to IAS 8 "Definition of Accounting Estimates Value"	January 1, 2023 (Note 2)
Amendments to IAS 12 "Deferred Tax related to Assets and Liabilities Arising from Single Transaction"	January 1, 2023 (Note 3)

Note 1: The amendments applied prospectively to annual reporting periods beginning on or after January 1, 2023.

Note 2: The amendments applied to changes in accounting estimates value and accounting policies on or after January 1, 2023.

Note 3: The amendments were applicable prospectively to the transactions incurred after January 1, 2022, except for the deferred tax accounted for on temporary differences in leasing and decommissioning obligation as of January 1, 2022.

As of the date of authorization of the parent company only financial statements, the Company has evaluated the effects of amendments will not have a material impact on the financial conditions and performance except for the above effects.

(III) 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
Amendments to IAS 16 "Lease liabilities in sale and leaseback"	January 1, 2024 (Note 2)
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
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

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.

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.

#### IV. Summary of Significant Accounting Policies

##### (I) 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.

##### (II) 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:

1. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities on the measurement date.
2. 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).
3. Level 3 inputs are unobservable inputs for the asset or liability.

##### (III) Classification of current and non-current assets and liabilities

Current assets include:

1. Assets held primarily for trading purposes;
2. Assets expected to be realized within 12 months after the balance sheet date; and
3. 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:

1. Liabilities held primarily for trading purposes;
2. Liabilities due to settle within 12 months after the balance sheet date; and

3. 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.

(IV) 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 (and attributed to owners of the Company and non-controlling interests respectively).

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.

(V) 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.

(VI) 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.

(VII) 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.

(VIII) 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.

(IX) 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.

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.

(X) Intangible assets

1. 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.

## 2. 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.

### (XI) 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 afore-mentioned 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.

(XII) Non-current assets held for sale

Non-current asset's carrying amounts are classified as held for sale when they are expected to be primarily collected through sale transactions rather than continued use. Non-current assets that qualify for this classification must be available for immediate sale in their current condition and must be highly likely to be sold. When the appropriate level of management commits to a plan to sell the asset and the sale is expected to be completed within one year from the classification date, it is highly likely that the sale will be qualified.

(XIII) 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.

1. Financial assets

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

(1) 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.



A. 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 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.

B. 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:

- a. Financial assets are under a business model whose purpose is to hold financial assets and collecting contractual cash flows; and
- b. 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:

- a. 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.
- b. 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.

- C. 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.

(2) 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:

- A. There is internal or external information indicating that it is impossible for the debtor to settle the debt.
- B. 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.

### (3) 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.

## 2. 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.

## 3. Financial liabilities

### (1) Subsequent measurement

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

(2) 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.

(XIV) 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.

(XV) Leases

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

1. 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.

2. 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 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 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.

(XVI) 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.

(XVII) 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.

(XVIII) Employee benefits

1. 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.

## 2. 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.

## (XIX) Income tax

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

### 1. 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.

## 2. Deferred income tax

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

### 3. 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.

## V. 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 will take the recent development of the COVID-19 in China and its possible impact on the economic environment 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. If an amendment of estimates only affects the current period, it shall be recognized in the period of amendment; if an amendment of accounting estimates affects the current year and future periods, it shall be recognized in the period of amendment and future periods.

### Primary Sources of Uncertainties in Estimates, and Assumptions

#### (I) 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.

#### (II) 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.

VI. Cash and cash equivalent

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Cash on hand and working capital	\$ 789	\$ 893
Checks and demand deposits in banks	475,170	745,953
Time deposits in banks (Within 3 months)	<u>187,638</u>	<u>-</u>
	<u>\$ 663,597</u>	<u>\$ 746,846</u>

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

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Bank deposits	0.001%~4.9%	0.001%~0.2%

VII. Financial Instruments at Fair Value through Profit or Loss

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Financial assets - current</u>		
Designated as at fair value through profit or loss		
- Domestic stocks listed or emerging stocks	\$ 28,698	\$ 44,860
Mandatorily measured at fair value through profit or loss		
- Fund beneficiary certificates	<u>530,422</u>	<u>127,602</u>
	<u>\$ 559,120</u>	<u>\$ 172,462</u>

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

<u>Investments in equity instruments</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Current</u>		
Domestic Investment		
Listed Stocks	<u>\$ 1,619,189</u>	<u>\$ 1,764,409</u>
<u>Non-current</u>		
Domestic Investment		
Listed Stocks	\$ 2,971,147	\$ 2,927,073
Unlisted stocks	<u>1,888,997</u>	<u>1,672,275</u>
Subtotal	<u>\$ 4,860,144</u>	<u>\$ 4,599,348</u>

The 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 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.

IX. Financial assets at amortized cost

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Non-current</u>		
Domestic Investment		
Time deposits with original maturities over three months	<u>\$ 1,800</u>	<u>\$ 1,800</u>
(I) As of December 31, 2022 and 2021, the interest rate ranges of time deposits with original maturities over three months were 0.9% to 1.14% and 0.65% to 0.765%, respectively.		
(II) Financial assets at amortized cost are classified as current and non-current pursuant to the maturity dates on the contracts or the pledged periods.		
(III) Please refer to Note 31 for details of financial assets at amortized cost pledged.		

X. Notes and accounts receivable

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Notes receivable</u>		
Measured at amortized cost		
Total carrying amount	\$ 9,907	\$ 29,674
Less: loss allowance	<u>-</u>	<u>-</u>
	<u>\$ 9,907</u>	<u>\$ 29,674</u>
Notes receivable - related parties (Note 30)	<u>\$ 8</u>	<u>\$ 10</u>
Measured at amortized cost		
Total carrying amount	\$ 290,233	\$ 357,072
Less: loss allowance	( <u>5</u> )	( <u>1,302</u> )
	<u>\$ 290,228</u>	<u>\$ 355,770</u>
Accounts receivable - related parties (Note 30)	<u>\$ 48,071</u>	<u>\$ 44,700</u>
<u>Other receivables</u>		
Tax refunds receivable	\$ 15,748	\$ 19,069
Other	<u>51</u>	<u>95</u>
	<u>\$ 15,799</u>	<u>\$ 19,164</u>
Other receivables - related parties (Note 30)	<u>\$ 819</u>	<u>\$ 82,382</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, 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>

#### December 31, 2021

	Billed for 1-60 Days	Billed for 61- 120 Days	Billed for 121- 180 Days	Billed over 180 Days	Total
ECL rate	0.1%~0.03%	0.35%~4.54%	7.58%~16.23%	9.09%~100%	
Total carrying amount	\$ 379,883	\$ 25,081	\$ 23,563	\$ 2,929	\$ 431,456
Loss allowance (lifetime ECL)	( 56 )	( 324 )	( 255 )	( 667 )	( 1,302 )
Amortized cost	<u>\$ 379,827</u>	<u>\$ 24,757</u>	<u>\$ 23,308</u>	<u>\$ 2,262</u>	<u>\$ 430,154</u>

Changes in loss allowances for accounts receivables are as follows:

	<u>2022</u>	<u>2021</u>
Balance at the beginning of the year	\$ 1,302	\$ 1,664
Add: Impairment loss provided for in the year	-	497
Less: Impairment loss reversed in the year	( 1,294 )	-
Less: Actual write-off in the year	( 3 )	( 859 )
Balance at the end of the year	<u>\$ 5</u>	<u>\$ 1,302</u>

XI. Inventories

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Finished goods	\$ 511,573	\$ 237,251
Work in progress	186,395	180,444
Raw materials	94,625	149,968
Merchandise inventories	<u>238,262</u>	<u>189,163</u>
	<u>\$ 1,030,855</u>	<u>\$ 756,826</u>

The cost of goods sold related to inventories for the years of 2022 and 2021 was NT\$2,325,933 thousand and NT\$1,930,334 thousand respectively. The cost of goods sold for the years of 2022 and 2021 included gain from price recovery of NT\$19,031 thousand and NT\$(21,024) thousand respectively. The recovery from the net realizable value of inventories in 2021 was due to the recovery from specific market values.

XII. Investments Using Equity Method

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Investment in Subsidiaries	\$ 3,049,349	\$ 1,670,058
Investment in Associates	<u>718,928</u>	<u>705,251</u>
	<u>\$ 3,768,277</u>	<u>\$ 2,375,309</u>

(I) Investment in Subsidiaries

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Shinkong Asset Management Co., Ltd.	\$ 3,054,456	\$ 1,672,597
SK INNOVATION CO., LTD.	8,067	10,635
Reclassified to treasury shares (Note 22(5))	( 13,174 )	( 13,174 )
	<u>\$ 3,049,349</u>	<u>\$ 1,670,058</u>

Name of subsidiary	Percentage of Ownership Interest and Voting Rights	
	December 31, 2022	December 31, 2021
Shinkong Asset Management Co., Ltd.	100%	100%
SK INNOVATION CO., LTD.	100%	100%
(II) Investment in Associates		
	December 31, 2022	December 31, 2021
<u>Associates that are individually material</u>		
Unlisted companies		
Lian Quan Investment Co., Ltd.	\$ 363,569	\$ 384,759
Shang De Motor Co., Ltd.	<u>300,027</u>	<u>278,104</u>
	<u>663,596</u>	<u>662,863</u>
<u>Associates that are not individually material</u>		
WPI-High Street LLC	<u>55,332</u>	<u>42,388</u>
	<u>\$ 718,928</u>	<u>\$ 705,251</u>

1. 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:

Name of Company	December 31, 2022	December 31, 2021
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%

Please refer to Table 5 "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.

Lian Quan Investment Co., Ltd.

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Current assets	\$ 6,793	\$ 9,067
Non-current assets	927,838	988,850
Current liabilities	( 190,985 )	( 210,928 )
Equity	<u>\$ 743,646</u>	<u>\$ 786,989</u>
Shareholding Ratio of the Company	48.89%	48.89%
Interests of the Company	<u>\$ 363,569</u>	<u>\$ 384,759</u>
Carrying amount of investments	<u>\$ 363,569</u>	<u>\$ 384,759</u>
	<u>2022</u>	<u>2021</u>
Operating revenue	<u>\$ 22,843</u>	<u>\$ 22,428</u>
Net income in the year	\$ 18,581	\$ 18,465
Other comprehensive profit and loss	( 30,274 )	23,711
Total comprehensive profit and loss	<u>( \$ 11,693 )</u>	<u>\$ 42,176</u>

Shang De Motor Co., Ltd.

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Current assets	\$ 1,138,729	\$ 835,110
Non-current assets	462,878	496,513
Current liabilities	( 1,056,164 )	( 741,851 )
Non-current liabilities	( 57,774 )	( 167,543 )
Equity	<u>\$ 487,669</u>	<u>\$ 422,229</u>
Shareholding ratio of the Company	33.50%	33.50%
Interests of the Company	\$ 163,369	\$ 141,446
Investment premium	<u>136,658</u>	<u>136,658</u>
Carrying amount of investments	<u>\$ 300,027</u>	<u>\$ 278,104</u>
	<u>2022</u>	<u>2021</u>
Operating revenue	<u>\$ 3,495,348</u>	<u>\$ 3,324,034</u>
Net income in the year	<u>\$ 140,183</u>	<u>\$ 83,356</u>
Total comprehensive profit and loss	<u>\$ 140,183</u>	<u>\$ 83,356</u>

## 2. Aggregate information of associates that are not individually material

### WPI-High Street , LLC

	<u>2022</u>	<u>2021</u>
The Company's share		
Net profit of continuing operations in the year	\$ 16,787	\$ 9,061
Other comprehensive profit and loss	<u>5,698</u>	( <u>35,398</u> )
Total comprehensive profit and loss	<u>\$ 22,485</u>	( <u>\$ 26,337</u> )

### XIII. Property, plant and equipment (PP&E)

	<u>Land</u>	<u>Buildings</u>	<u>Machinery Equipment</u>	<u>Transportation Equipment</u>	<u>Hydropower Equipment</u>	<u>Miscellaneous Equipment</u>	<u>Lease Improvement</u>	<u>Construction in Progress</u>	<u>Total</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 Expense	-	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 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>
<u>Cost</u>									
Balance at January 1, 2021	\$ 92,452	\$ 245,528	\$ 550,766	\$ 7,625	\$ 84,880	\$ 121,714	\$ 15,159	\$ 3,456	\$ 1,121,580
Additions	-	-	43,799	2,370	34,285	8,728	17,428	947	107,557
Reclassifications	-	28,197	1,997	-	765	657	1,339	( 3,455 )	29,500
Disposals	-	( 11,612 )	( 13,465 )	( 2,200 )	-	( 161 )	( 14,878 )	-	( 42,316 )
Balance at December 31, 2021	<u>\$ 92,452</u>	<u>\$ 262,113</u>	<u>\$ 583,097</u>	<u>\$ 7,795</u>	<u>\$ 119,930</u>	<u>\$ 130,938</u>	<u>\$ 19,048</u>	<u>\$ 948</u>	<u>\$ 1,216,321</u>
<u>Accumulated depreciation and impairment</u>									
Balance at January 1, 2021	\$ -	\$ 236,945	\$ 440,474	\$ 6,510	\$ 73,231	\$ 81,182	\$ 11,968	\$ -	\$ 850,310
Depreciation Expense	-	1,804	27,160	736	4,186	8,851	7,517	-	50,254
Disposals	-	( 11,612 )	( 7,422 )	( 1,797 )	-	( 161 )	( 14,878 )	-	( 35,870 )
Balance at December 31, 2021	<u>\$ -</u>	<u>\$ 227,137</u>	<u>\$ 460,212</u>	<u>\$ 5,449</u>	<u>\$ 77,417</u>	<u>\$ 89,872</u>	<u>\$ 4,607</u>	<u>\$ -</u>	<u>\$ 864,694</u>
Net at December 31, 2021	<u>\$ 92,452</u>	<u>\$ 34,976</u>	<u>\$ 122,885</u>	<u>\$ 2,346</u>	<u>\$ 42,513</u>	<u>\$ 41,066</u>	<u>\$ 14,441</u>	<u>\$ 948</u>	<u>\$ 351,627</u>

Unrecognized or reversal on impairment loss in 2022 and 2021.

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

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

XIV. Lease Agreements

(I) Right-of-use assets

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Carrying amount of right-of-use assets		
Buildings	\$ 166,320	\$ 143,552
Office equipment	1,629	605
Transportation Equipment	4,101	2,631
Other equipment	-	162
	<u>\$ 172,050</u>	<u>\$ 146,950</u>
	<u>2022</u>	<u>2021</u>
Additions to right-of-use assets	<u>\$ 80,840</u>	<u>\$ 114,246</u>
Disposal of right-of use assets	<u>\$ 11,739</u>	<u>\$ 15</u>
Depreciation expense of right-of-use assets		
Buildings	\$ 40,650	\$ 38,056
Office equipment	394	289
Transportation Equipment	2,470	2,136
Other equipment	162	390
	<u>\$ 43,676</u>	<u>\$ 40,871</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 2022 and 2021.

(II) Lease liabilities

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Carrying amount of lease liabilities		
Current	<u>\$ 42,564</u>	<u>\$ 46,002</u>
Non-current	<u>\$ 134,581</u>	<u>\$ 105,094</u>

Discount rate ranges for lease liabilities are as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Buildings	0.946%~1.457%	0.946%~1.008%
Office equipment	0.9%~0.981%	0.934%~1.008%
Transportation Equipment	0.915%~1.167%	0.915%~1.008%
Other equipment	-	1.008%

(III) 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.

The pandemic seriously impacted the market economy in 2021. The Company negotiated with some lessors. Some lessors agreed to reduce rent in line with negotiation results. The Company recognized NT\$690 thousand above rent concessions as the deduction for the operating costs - depreciation expense in 2021.

(IV) Other lease information

Please refer to Note 15 for agreements on investment property leased under operating leases.

	<u>2022</u>	<u>2021</u>
Short-term lease expenses	\$ <u>6,399</u>	\$ <u>2,937</u>
Total cash (outflow) for leases	(\$ <u>50,389</u> )	(\$ <u>41,227</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.

XV. Investment properties

	<u>Land</u>	<u>Buildings</u>	<u>Total</u>
<u>Cost</u>			
Balance at January 1, 2022	\$ 2,234,993	\$ 1,111,611	\$ 3,346,604
Additions	-	627	627
Reclassifications	( <u>7,006</u> )	( <u>15,907</u> )	( <u>22,913</u> )
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 expense	<u>-</u>	<u>22,968</u>	<u>22,968</u>
Balance at December 31, 2022	<u>\$ -</u>	<u>\$ 710,217</u>	<u>\$ 710,217</u>
Net at December 31, 2022	<u>\$ 2,227,987</u>	<u>\$ 386,114</u>	<u>\$ 2,614,101</u>

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	<u>Land</u>	<u>Buildings</u>	<u>Total</u>
<u>Cost</u>			
Balance at January 1, 2021	<u>\$ 2,234,993</u>	<u>\$ 1,111,611</u>	<u>\$ 3,346,604</u>
Balance at December 31, 2021	<u>\$ 2,234,993</u>	<u>\$ 1,111,611</u>	<u>\$ 3,346,604</u>
<u>Accumulated depreciation and impairment</u>			
Balance at January 1, 2021	\$ -	\$ 679,815	\$ 679,815
Depreciation expense	-	<u>23,002</u>	<u>23,002</u>
Balance at December 31, 2021	<u>\$ -</u>	<u>\$ 702,817</u>	<u>\$ 702,817</u>
Net at December 31, 2021	<u>\$ 2,234,993</u>	<u>\$ 408,794</u>	<u>\$ 2,643,787</u>

The investment property is subject to lease terms of 1 to 18 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, 2022</u>	<u>December 31, 2021</u>
The first year	\$ 146,074	\$ 150,106
The second year	122,588	132,589
The third year	92,617	110,875
The fourth year	61,027	85,829
The fifth year	43,816	55,052
Over 5 years	<u>227,048</u>	<u>266,301</u>
	<u>\$ 693,170</u>	<u>\$ 800,752</u>

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

Buildings	31~50 years
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The fair value of investment real estate as of the year ended on December 31, 2022 and 2021 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, 2022</u>	<u>December 31, 2021</u>
Fair value	<u>\$ 10,284,341</u>	<u>\$ 12,059,048</u>

The 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.

XVI. Other Intangible Assets

	<u>Cost of Computer Software</u>
<u>Cost</u>	
Balance at January 1, 2022	\$ 4,713
Separate Acquisition	2,783
Reclassifications	180
Disposals	( 880)
Balance at December 31, 2022	<u>\$ 6,796</u>
<u>Accumulated amortization and impairment</u>	
Balance at January 1, 2022	\$ 2,375
Amortization expense	2,120
Disposals	( 880)
Balance at December 31, 2022	<u>\$ 3,615</u>
Net at December 31, 2022	<u>\$ 3,181</u>
<u>Cost</u>	
Balance at January 1, 2021	\$ 5,154
Separate Acquisition	1,972
Disposals	( 2,413)
Balance at December 31, 2021	<u>\$ 4,713</u>
<u>Accumulated amortization and impairment</u>	
Balance at January 1, 2021	\$ 2,936
Amortization expense	1,852
Disposals	( 2,413)
Balance at December 31, 2021	<u>\$ 2,375</u>
Net at December 31, 2021	<u>\$ 2,338</u>

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

Cost of Computer Software	2~3 years
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XVII. Other Assets

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Current</u>		
Prepaid expenses	\$ 18,832	\$ 13,432
Prepayments to suppliers	38,922	44,509
Prepayments for investments	<u>-</u>	<u>100,000</u>
	<u>\$ 57,754</u>	<u>\$ 157,941</u>

The prepaid investment of the Company was NT\$100,000 thousand for acquiring 18.18% of CYS Investment Co., Ltd. in November 2021 and completed equity transfer registration in January 2022.

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Other Assets		
Other	<u>\$ 9</u>	<u>\$ 12</u>

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Non-current</u>		
Prepayments for equipment	\$ 1,390	\$ 17,016
Refundable deposits	14,862	16,822
Net defined benefit assets (Note 21)	<u>8,565</u>	<u>2,874</u>
	<u>\$ 24,817</u>	<u>\$ 36,712</u>

XVIII. Borrowings

(I) Short-term borrowings

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Secured borrowings</u> (Note 31)		
- Bank borrowings	\$ 2,860,000	\$ 1,680,000
<u>Unsecured borrowings</u>		
Line of credit loans	<u>150,000</u>	<u>200,000</u>
	<u>\$ 3,010,000</u>	<u>\$ 1,880,000</u>

The ranges of interest rates on bank borrowings were 1.55% to 1.68% and 0.85% to 0.95% as of December, 31, 2022 and 2021, respectively.

(II) Short-term bills payable

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Commercial paper payable	\$ -	\$ 1,130,000
Less: Discounts on short-term bills payable	<u>-</u>	<u>( 1,354 )</u>
	<u>\$ -</u>	<u>\$ 1,128,646</u>

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

December 31, 2022: None.

December 31, 2021

Guarantor/Accepting Institution	Nominal Amount	Discounted Amount	Carrying Amount	Interest Rate	Name of Collateral	Carrying Amount of Collateral
International Bills Finance Corporation (I)	\$ 80,000	( \$ 106 )	\$ 79,894	0.590%	None	None
International Bills Finance Corporation (II)	120,000	( 70 )	119,930	0.590%	None	None
Ta Ching Bills Finance Corporation	90,000	( 53 )	89,947	0.690%	None	None
China Bills Finance Corporation	200,000	( 376 )	199,624	0.300%	None	None
Taiwan Finance Cooperation (I)	60,000	( 62 )	59,938	0.640%	None	None
Taiwan Finance Cooperation (II)	70,000	( 72 )	69,928	0.640%	None	None
Taiwan Cooperative Bills Finance Corporation	130,000	( 60 )	129,940	0.790%	None	None
Mega Bills Finance Co., Ltd. (I)	60,000	( 80 )	59,920	0.780%	None	None
Mega Bills Finance Co., Ltd. (II)	40,000	( 54 )	39,946	0.780%	None	None
Shanghai Commercial & Savings Bank, Ltd. (I)	100,000	( 41 )	99,959	0.330%	None	None
Shanghai Commercial & Savings Bank, Ltd. (II)	<u>180,000</u>	( <u>380</u> )	<u>179,620</u>	0.320%	None	None
	<u>\$ 1,130,000</u>	( <u>\$ 1,354</u> )	<u>\$ 1,128,646</u>			

XIX. Notes and Accounts Payable

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

XX. Other liabilities

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Current</u>		
Other payables		
Salaries and bonus payable	\$ 62,519	\$ 44,525
Employee compensation payable	21,800	9,700
Compensation to employees director and supervisor payable	21,800	9,700
Tax payable	2,731	2,746
Pension payable	2,453	2,196
Electricity and fuels payable	9,011	2,362
Interest payable	2,366	715

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	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Services expense payable	900	1,000
Equipment payable	1,117	602
Investment payable	1,438	1,458
Other	<u>37,039</u>	<u>41,616</u>
	<u>\$ 163,174</u>	<u>\$ 116,620</u>
Other payables - related parties (Note 30)	<u>\$ 1,705</u>	<u>\$ 1,166</u>
Other liabilities		
Receipts under custody	\$ 2,602	\$ 2,367
Temporary credits	20,872	21,289
Deferred revenue	<u>-</u>	<u>28</u>
	<u>\$ 23,474</u>	<u>\$ 23,684</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>2022</u>	<u>2021</u>
Balance at the beginning of the year	\$ 28	\$ 111
Amortization for the period (recognized as deductions to depreciation expense)	( <u>28</u> )	( <u>83</u> )
Balance at the end of the year	<u>\$ -</u>	<u>\$ 28</u>

## XXI. Post-employment Benefit Plans

### (I) 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.

### (II) 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, 2022</u>	<u>December 31, 2021</u>
Present value of defined benefit obligation	\$ 44,766	\$ 48,268
Fair value of plan assets	( <u>53,331</u> )	( <u>51,142</u> )
Net defined benefit assets	( <u>\$ 8,565</u> )	( <u>\$ 2,874</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, 2021	<u>\$ 41,339</u>	( <u>\$ 49,325</u> )	( <u>\$ 7,986</u> )
Service costs			
Current service costs	105	-	105
Interest expense (income)	<u>207</u>	( <u>249</u> )	( <u>42</u> )
Recognized in profit or loss	<u>312</u>	( <u>249</u> )	<u>63</u>
Remeasurements			
Return on plan assets (excluding amounts that are included in net interest)	-	( 626 )	( 626 )
Actuarial losses - changes in financial assumptions	246	-	246
Actuarial losses - experience adjustments	<u>6,371</u>	<u>-</u>	<u>6,371</u>

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	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit assets
Recognized in other comprehensive profit and loss	<u>6,617</u>	( <u>626</u> )	<u>5,991</u>
Contributions from the employer	<u>-</u>	( <u>942</u> )	( <u>942</u> )
Balance at December 31, 2021	<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 losses - changes in financial assumptions	( 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 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> )

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

1. 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.
2. 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.

3. 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, 2022</u>	<u>December 31, 2021</u>
Discount rate	1.250%	0.625%
Expected rate of salary increase	2.750%	2.250%

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, 2022</u>	<u>December 31, 2021</u>
Discount rate		
Increase by 0.25%	( \$ 740 )	( \$ 941 )
Decrease by 0.25%	\$ 760	\$ 971
Expected rate of salary increase		
Increase by 0.25%	\$ 736	\$ 939
Decrease by 0.25%	( \$ 720 )	( \$ 915 )

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, 2022</u>	<u>December 31, 2021</u>
Expected contributions to the plan within one year	\$ 895	\$ 969
Average duration of defined benefit obligations	6.7 years	7.8 years

## XXII. Equity

### (I) Share capital

#### Common shares

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Number of shares authorized (in thousands)	360,000	360,000
Share capital authorized	\$ 3,600,000	\$ 3,600,000

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.

(II) Capital surplus

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>May not be used for any purpose</u>		
Treasury share transactions	\$ 8,344	\$ 7,540
Dividends not collected by shareholders before the designated date	<u>1,666</u>	<u>1,388</u>
	<u>\$ 10,010</u>	<u>\$ 8,928</u>

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

(III) 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 Compensation of



directors and supervisors in the Company's Articles of Incorporation, please refer to Note 24(7) compensation to employees and compensation to directors and supervisors.

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 2021 and 2020 approved in the shareholders' meetings on June 10, 2022 and July 16, 2021, respectively, was as follows:

	2021	2020
Legal surplus reserve	\$ 44,490	\$ 37,869
Cash dividends	\$ 300,041	\$ 300,041
Earnings per share (NT\$)	\$ 1	\$ 1

The company's distribution of earnings of 2022 was subject to the resolution of Board of Directors and the shareholders' meeting in 2023.

(IV) Other equity item

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

	2022	2021
Balance at the beginning of the year	\$ 4,458,304	\$ 3,678,813
Accrued in the current year		
Unrealized gains (losses)		
Equity instruments	( 16,257)	793,533
Share of associates accounted for using the equity method	( 34,243)	( 14,032)
Other comprehensive profit and loss for the year	( 50,500)	779,501
Accumulated gains (losses) on disposal of equity instruments transferred to retained earnings	12,358	( 10)
Balance at the end of the year	\$ 4,420,162	\$ 4,458,304

(V) Treasury share

<u>Reason for repurchase</u>	<u>Shares of Parent Company Held by Subsidiary (in thousands)</u>
Number of shares on January 1, 2020	<u>804</u>
Number of shares on December 31, 2020	<u>804</u>
Number of shares on January 1, 2019	<u>804</u>
Number of shares on December 31, 2019	<u>804</u>

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

December 31, 2022

<u>Name of subsidiary</u>	<u>No. of Shareholding (in thousands)</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>

December 31, 2021

<u>Name of subsidiary</u>	<u>No. of Shareholding (in thousands)</u>	<u>Carrying amount</u>	<u>Market Value</u>
Shinkong Asset Management Co., Ltd.	<u>804</u>	<u>\$ 13,174</u>	<u>\$ 34,634</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.

### XXIII. Revenue

	<u>2022</u>	<u>2021</u>
Revenue from contracts with customers		
Revenue from the sale of goods	\$ 2,980,355	\$ 2,398,299
Rental revenue	157,222	153,946
Other	<u>603</u>	<u>604</u>
	<u>\$ 3,138,180</u>	<u>\$ 2,552,849</u>

#### (I) 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.

#### (II) Contract balance

	<u>December 31, 2022</u>	<u>December 31, 2021</u>	<u>January 1, 2021</u>
Notes receivable (Note 10)	\$ 9,915	\$ 29,684	\$ 7,152
Accounts receivable (Note 10)	<u>338,299</u>	<u>400,470</u>	<u>320,625</u>
	<u>\$ 348,214</u>	<u>\$ 430,154</u>	<u>\$ 327,777</u>
Contract liabilities			
Sale of goods	\$ 19,097	\$ 13,307	\$ 33,111
Rental revenue of investment property	<u>10,544</u>	<u>12,653</u>	<u>16,790</u>
Contract liabilities - current	<u>\$ 29,641</u>	<u>\$ 25,960</u>	<u>\$ 49,901</u>

#### (III) Breakdown of revenue from contracts with customers

	<u>2022</u>	<u>2021</u>
<u>Types of goods or services</u>		
Textile	\$ 2,223,754	\$ 1,763,853
Retail / Garment	<u>756,601</u>	<u>634,446</u>
	<u>\$ 2,980,355</u>	<u>\$ 2,398,299</u>

XXIV. Net income in the year

(I) Interest income

	<u>2022</u>	<u>2021</u>
Bank deposits	\$ 4,368	\$ 371
Loans to related parties	364	232
Other	<u>40</u>	<u>45</u>
	<u>\$ 4,772</u>	<u>\$ 648</u>

(II) Other income

	<u>2022</u>	<u>2021</u>
Dividend income	\$ 360,509	\$ 279,724
Other	<u>1,465</u>	<u>1,831</u>
	<u>\$ 361,974</u>	<u>\$ 281,555</u>

(III) Other gains and losses

	<u>2022</u>	<u>2021</u>
Gains on financial assets and financial liabilities		
Financial assets designated as at fair value through profit or loss	(\$ 16,162)	\$ 9,014
Financial assets mandatorily measured at fair value through profit or loss	66,318	2,998
(Loss) Gain on disposal of property, plant and equipment	14	( 4,898)
Net foreign exchange gain (losses)	66,356	( 12,316)
Other expenses	( <u>3,977</u> )	( <u>4,433</u> )
	<u>\$112,549</u>	( <u>\$ 9,635</u> )

(IV) Finance costs

	<u>2022</u>	<u>2021</u>
Interest on bank borrowings	\$ 29,538	\$ 15,882
Interest on short-term bills	3,562	4,661
Interest on lease liabilities	<u>1,604</u>	<u>864</u>
	<u>\$ 34,704</u>	<u>\$ 21,407</u>

(V) Depreciation and amortization

	<u>2022</u>	<u>2021</u>
Depreciation expense is summarized by function		
Operating costs	\$ 87,846	\$ 80,640
Operating expenses	<u>47,688</u>	<u>32,714</u>
	<u>\$ 135,534</u>	<u>\$ 113,354</u>
Amortization expense is summarized by function		
Operating costs	\$ 376	\$ 407
Operating expenses	<u>1,744</u>	<u>1,445</u>
	<u>\$ 2,120</u>	<u>\$ 1,852</u>

(VI) Employee benefit expense

	<u>2022</u>	<u>2021</u>
Post-employment benefits		
Defined contribution plans	\$ 16,012	\$ 16,423
Defined benefit plans (Note 21)	<u>116</u>	<u>63</u>
	16,128	16,486
Other employee benefits	<u>484,553</u>	<u>394,368</u>
Total employee benefit expense	<u>\$ 500,681</u>	<u>\$ 410,854</u>
Summarized by functions		
Operating costs	\$ 193,820	\$ 161,570
Operating expenses	<u>306,861</u>	<u>249,284</u>
	<u>\$ 500,681</u>	<u>\$ 410,854</u>

(VII) Compensation to employees and compensation to directors and supervisors

According to the Company's Articles of Incorporation, the compensation to employees shall not be lower than 1% and the compensation to directors and supervisors shall not be higher than 5% of the income before income tax, compensation to employees and compensation to directors and supervisors. Compensation to employees and compensation to directors and supervisors for the years of 2022 and 2021 resolved in the Board of Directors meetings on March 9, 2023 and March 21, 2022, respectively, were as follows:

Accrual rate

<u>2022</u>	<u>2021</u>
-------------	-------------

Compensation to employees	1.00%	1.99%
Compensation to Directors and Supervisors	1.00%	1.99%

Amount

	Cash	
	2022	2021
Compensation to employees	<u>\$ 21,800</u>	<u>\$ 9,700</u>
Compensation to Directors and Supervisors	<u>\$ 21,800</u>	<u>\$ 9,700</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, directors and supervisors for 2021 and 2020 and those recognized in the parent company only financial reports for 2021 and 2020.

For information on the compensation to employees, directors and supervisors of the company, please visit the “Market Observation Post System” of Taiwan Stock Exchange.

(VIII) Net gain (loss) on foreign exchange

	2022	2021
Total foreign exchange gains	<u>\$ 80,645</u>	<u>\$ 2,767</u>
Total foreign exchange (losses)	<u>( 14,289 )</u>	<u>( 15,083 )</u>
Net losses	<u>\$ 66,356</u>	<u>( \$ 12,316 )</u>

XXV. Income tax

(I) Income tax recognized in profit or loss

Major components of income tax expenses are as follows:

	2022	2021
Current income tax		
Incurred in this year	<u>\$ 45,750</u>	<u>\$ 7,318</u>
Additional tax levied on the unappropriated earnings	<u>2,701</u>	<u>2,038</u>
Adjustments for previous years	<u>( 2,382 )</u>	<u>( 3,379 )</u>
	<u>46,069</u>	<u>5,977</u>
Deferred income tax		
Incurred in this year	<u>11,641</u>	<u>9,980</u>
Income tax expense recognized in profit or loss	<u>\$ 57,710</u>	<u>\$ 15,957</u>

The adjustment of accounting income and income tax expense is as follows:

	<u>2022</u>	<u>2021</u>
Net income before tax	<u>\$ 2,128,696</u>	<u>\$ 466,844</u>
Net income before tax:		
Income tax expenses calculated at the statutory tax rate	\$ 425,739	\$ 93,369
Non-deductible expense and loss on tax	41	178
Tax-exempted income	( 358,256 )	( 77,945 )
Additional tax levied on the unappropriated earnings	2,701	2,038
Unrecognized deductible temporary difference	( 10,133 )	1,696
Adjustment of current income tax expense from previous years in the current period	( <u>2,382</u> )	( <u>3,379</u> )
Income tax expense recognized in profit or loss	<u>\$ 57,710</u>	<u>\$ 15,957</u>
(II) Income tax recognized in other comprehensive profit and loss		
	<u>2022</u>	<u>2021</u>
Deferred income tax		
Incurred in this year		
- Share of other comprehensive profit and loss of associates accounted for using the equity method	( <u>\$ 1,343</u> )	( <u>\$ 405</u> )
(III) Current income tax assets and liabilities		
	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Current income tax assets		
Tax refunds receivable	<u>\$ -</u>	<u>\$ 46</u>
Current income tax liabilities		
Income tax payable	<u>\$ 45,164</u>	<u>\$ 16,594</u>

(IV) Deferred income tax assets and liabilities

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

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
Deferred income tax assets				
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>
Deferred income tax liabilities				
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>



## 2021

	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
Deferred income tax assets				
Temporary differences				
Loss on inventory write-down	\$ 29,525	( \$ 4,204 )	\$ -	\$ 25,321
Difference on unrealized foreign exchange gain (loss)	5,298	( 3,925 )	-	1,373
Exchange differences on translating the financial statements of foreign operations	1,502	-	405	1,907
Other	<u>1</u>	<u>-</u>	<u>-</u>	<u>1</u>
	<u>\$ 36,326</u>	<u>( \$ 8,129 )</u>	<u>\$ 405</u>	<u>\$ 28,602</u>
Deferred income tax liabilities				
Temporary differences				
Defined benefit retirement plans	\$ 2,543	\$ 176	\$ -	\$ 2,719
Gains (losses) on foreign investments accounted for using the equity method	1,898	1,675	-	3,573
Land value increment tax	<u>513,536</u>	<u>-</u>	<u>-</u>	<u>513,536</u>
	<u>\$ 517,977</u>	<u>\$ 1,851</u>	<u>\$ -</u>	<u>\$ 519,828</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, 2022 and 2021.

- (V) Deductible temporary difference for which no Deferred income tax assets have been recognized in the parent company only balance sheets

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Deductible temporary difference		
Impairment loss	<u>\$ 7,187</u>	<u>\$ 12,673</u>

- (VI) 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.

XXVI. Earnings per Share (EPS)

	Unit: NT\$ per Share	
	<u>2022</u>	<u>2021</u>
Basic EPS	<u>\$ 6.92</u>	<u>\$ 1.51</u>
Diluted EPS	<u>\$ 6.91</u>	<u>\$ 1.51</u>

Net income and weighted average number of common stocks used for the calculation of EPS are as follows:

Net income in the year

	<u>2022</u>	<u>2021</u>
Net income for basic EPS	<u>\$ 2,070,986</u>	<u>\$ 450,887</u>
Net income for the calculation of diluted EPS	<u>\$ 2,070,986</u>	<u>\$ 450,887</u>

Number of shares

	Unit: In Thousands of Shares	
	<u>2022</u>	<u>2021</u>
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>594</u>	<u>271</u>

Weighted average number of common  
shares used for calculation of  
diluted earnings per share

299,831

299,508

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.

## XXVII. Cash Flow Information

### (I) Non-cash transactions

Besides disclosures in other notes, the Company engaged in the following non-cash investing activities for the years of 2022 and 2021:

1. The Company reclassified prepayments for equipment of NT\$29,046 thousand and NT\$29,500 thousand to PP&E for the years of 2022 and 2020, respectively (please refer to Note 13 for details);
2. The Company reclassified prepaid expenses of NT\$2,162 to PP&E for the year of 2022 (please refer to Note 13 for details);
3. The Company reclassified construction in process of NT\$29 thousand to miscellaneous purchases in 2022 (please refer to Note 13 for details)
4. The Company reclassified prepaid expenses of NT\$180 thousand to intangible assets for the year of 2022 (please refer to Note 18 for details);
5. 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)

### (II) Changes in liabilities from financing activities

#### 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>

#### 2021

	January 1, 2021	Cash Flows	Additional Leases	Interest Expenses	Non-cash Changes			Number of Interest Paid	December 31, 2021
					Remeasurement on Lease Modifications	Remeasurement on Termination	Other		
Lease liabilities (Note 14)	<u>\$ 97,004</u>	<u>(\$ 37,426)</u>	<u>\$ 114,246</u>	<u>\$ 864</u>	<u>(\$ 22,023)</u>	<u>(\$ 15)</u>	<u>(\$ 690)</u>	<u>(\$ 864)</u>	<u>\$ 151,096</u>

## XXVIII. 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.

## XXIX. Financial instruments

### (I) 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.

### (II) Information on fair value - financial instruments measured at fair value on a recurring basis

#### 1. Fair value hierarchy

##### December 31, 2022

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Financial assets at fair value through profit or loss</u>				
Domestic stocks listed 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 through other comprehensive profit and loss</u>				
Investments in equity instruments				
- Domestic stocks listed or emerging stocks	\$ 4,590,336	\$ -	\$ -	\$ 4,590,336
- Domestic stocks not listed	<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>

## December 31, 2021

	Level 1	Level 2	Level 3	Total
<u>Financial assets at fair value through profit or loss</u>				
Domestic stocks listed or emerging stocks	\$ 44,860	\$ -	\$ -	\$ 44,860
Fund beneficiary certificates	<u>127,602</u>	<u>-</u>	<u>-</u>	<u>127,602</u>
Total	<u>\$ 172,462</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 172,462</u>
<u>Financial assets at fair value through other comprehensive profit and loss</u>				
Investments in equity instruments				
- Domestic stocks listed or emerging stocks	\$ 4,691,482	\$ -	\$ -	\$ 4,691,482
- Domestic stocks not listed	<u>-</u>	<u>-</u>	<u>1,672,275</u>	<u>1,672,275</u>
Total	<u>\$ 4,691,482</u>	<u>\$ -</u>	<u>\$ 1,672,275</u>	<u>\$ 6,363,757</u>

There was no transfer between Level 1 and Level 2 fair value measurements in 2022 and 2021.

## 2. Reconciliation of Level 3 fair value measurement of financial instruments 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	( 325 )
Balance at the end of the year	<u>\$ 1,888,997</u>

## 2021

Financial assets	Financial assets at fair value through other comprehensive profit and loss
	Equity instruments
Balance at the beginning of the year	\$ 1,739,119
Recognized in other comprehensive profit and loss (unrealized gains (losses) on financial assets at fair value through other comprehensive profit and loss)	( 60,275 )
Addition	10,000
Proceeds from capital reduction	( 16,569 )
Balance at the end of the year	<u>\$ 1,672,275</u>

### 3. 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 35%.

#### (III) Category of financial instruments

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Financial assets</u>		
Measured at fair value through profit or loss		
Mandatorily measured at fair value through profit or loss	\$ 530,422	\$ 127,602
Designated as at fair value through profit or loss	28,698	44,860
Financial assets at amortized cost (Note 1)	1,045,091	1,297,168
Financial assets at fair value through other comprehensive profit and loss		
Investments in equity instruments	6,479,333	6,363,757
<u>Financial liabilities</u>		
Measured at amortized cost (Note 2)	3,584,795	3,568,435

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, other financial assets, and refundable deposits.

Note 2. 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.

(IV) 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.

1. 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):

(1) 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 34.

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	
	2022	2021
Profit or loss	\$ 7,798 (i)	\$ 6,727 (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.

(2) 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, 2022</u>	<u>December 31, 2021</u>
Fair value interest rate risk		
- Financial assets	<u>\$ 189,438</u>	<u>\$ 1,800</u>
- Financial liabilities	<u>\$ 177,145</u>	<u>\$ 151,096</u>
Cash flow interest rate risk		
- Financial assets	<u>\$ 475,170</u>	<u>\$ 745,953</u>
- Financial liabilities	<u>\$ 3,010,000</u>	<u>\$ 3,008,646</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\$20,279 thousand and NT\$18,102 thousand for the years of 2022 and 2021, 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.

(3) 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 2022 and 2021, if the equity price increased/decreased by 1%, the profit or loss after tax would increase/decrease by NT\$287 thousand and NT\$449 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\$64,793 thousand and NT\$63,638 thousand, respectively, due to the increase/decrease in the fair value of financial assets at fair value through other comprehensive profit and loss.

## 2. 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.

### 3. 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.

#### (1) 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, 2022

	Effective Interest Rate (%)	Less than 1 Month	1 - 3 Months	3 Months - 1 Year	1 - 5 Years	More than 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	-	-	-
Short-term bills payable	~	-	-	-	-	-
		<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>

## December 31, 2021

	Effective Interest Rate (%)	Less than 1 Month	1 - 3 Months	3 Months - 1 Year	1 - 5 Years	More than 5 Years
Lease liabilities	0.915~1.008	\$ 3,225	\$ 9,643	\$ 34,381	\$ 91,149	\$ 16,283
Short-term borrowings	0.85~0.95	550,000	1,330,000	-	-	-
Short-term bills payable	0.30~0.79	<u>439,775</u>	<u>688,871</u>	<u>-</u>	<u>-</u>	<u>-</u>
		<u>\$993,000</u>	<u>\$2,028,514</u>	<u>\$ 34,381</u>	<u>\$ 91,149</u>	<u>\$ 16,283</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>\$ 47,249</u>	<u>\$ 91,149</u>	<u>\$ 16,283</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.

### (2) Line of credit

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Credit facilities		
- Amount used	\$ 3,010,000	\$ 1,880,000
- Unused amount	<u>2,100,000</u>	<u>2,680,000</u>
	<u>\$ 5,110,000</u>	<u>\$ 4,560,000</u>
Credit from commercial papers		
- Amount used	\$ -	\$ 1,130,000
- Unused amount	<u>1,350,000</u>	<u>120,000</u>
	<u>\$ 1,350,000</u>	<u>\$ 1,250,000</u>

### XXX. Related Party Transactions

Besides disclosures in other notes, the Company engaged in the following transactions with other related parties:

#### (I) 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

(Continued on the next page)

(Continued from the previous page)

Name of Related Party	Relationship with the Company
Hua Yang Motor Co., Ltd.	Subsidiaries
Shanghai Xin Ying Trading Co., Ltd.	Subsidiaries
One Full Co., Ltd.	Subsidiaries
WPI-HIGH STREET. LLC	Associate
Shang De Motor Co., Ltd.	Associate
Lian Quan Investment Co., Ltd.	Associate
Chyang Sheng Dyeing & Finishing Co., Ltd.	Related party in substance
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 Optronics 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
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 Guang 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

## (II) Operating revenue

Financial Statement Account	Type/Name of Related Party	2022	2021
Sales revenue	Shinkong Mitsukoshi Department Store Co., Ltd.	\$ 256,533	\$ 205,705
	Shinkong Insurance Co., Ltd.	15,258	26,166
	Subsidiaries	4,224	10,639
	Related party in substance	<u>17,912</u>	<u>12,282</u>
		<u>\$ 293,927</u>	<u>\$ 254,792</u>
Rental revenue	UBright Optronics Corp.	\$ 21,425	\$ 20,779
	Taishin International Bank Co., Ltd.	26,892	26,515
	Related party in substance	<u>9,827</u>	<u>9,348</u>
		<u>\$ 58,144</u>	<u>\$ 56,642</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.

## (III) Purchases

Financial Statement Account	Type/Name of Related Party	2022	2021
Purchases	Chyang Sheng Dyeing & Finishing Co., Ltd.	\$ 156,826	\$ 96,356
	Shinkong Synthetic Fibers Corporation	<u>37,084</u>	<u>55,391</u>
		<u>\$ 193,910</u>	<u>\$ 151,747</u>

The Company's transaction terms for purchases from related parties above are not significantly different from those of the unrelated parties.

## (IV) Contract liabilities

Type of Related Party	December 31, 2022	December 31, 2021
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Related party in substance	<u>\$ 6,061</u>	<u>\$ 6,194</u>
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The contract liabilities above include advance receipts for sales of goods and leasing of investment properties.

(V) Receivables from related parties (excluding loans and contract assets to related parties)

Financial Statement Account	Type of Related Party	December 31, 2022	December 31, 2021
Notes receivable	Related party in substance	<u>\$ 8</u>	<u>\$ 10</u>
Accounts receivable	Shinkong Mitsukoshi Department Store Co., Ltd.	\$ 44,831	\$ 40,397
	Subsidiaries	1,386	1,447
	Related party in substance	<u>1,854</u>	<u>2,856</u>
		<u>\$ 48,071</u>	<u>\$ 44,700</u>
Other receivables	Shinkong Asset Management Co., Ltd.	\$ 806	\$ 9,054
	Related party in substance	<u>13</u>	<u>4</u>
		<u>\$ 819</u>	<u>\$ 9,058</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 2022 and 2021.

(VI) Payables to related parties (excluding borrowings from related parties)

Financial Statement Account	Type of Related Party	December 31, 2022	December 31, 2021
Notes payable	Related party in substance	<u>\$ 36,260</u>	<u>\$ 38,340</u>
Accounts payable	Related party in substance	\$ 6,612	\$ 6,724
	Subsidiaries	<u>-</u>	<u>929</u>
		<u>\$ 6,612</u>	<u>\$ 7,653</u>
Other payables	Related party in substance	<u>\$ 1,705</u>	<u>\$ 1,166</u>

No collateral is provided for the outstanding amount of payables to related parties.

(VII) Prepayments

<u>Type of Related Party</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Related party in substance	<u>\$ 170</u>	<u>\$ 4,805</u>

(VIII) Lease in agreements

<u>Financial Statement Account</u>	<u>Type of Related Party</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Lease liabilities	Chyang Sheng Dyeing & Finishing Co., Ltd.	\$ 56,157	\$ 5,844
Lease liabilities	Shin Kong Life Insurance Co., Ltd.	<u>-</u>	<u>13,106</u>
		<u>\$ 56,157</u>	<u>\$ 18,950</u>

<u>Type/Name of Related Party</u>	<u>2022</u>	<u>2021</u>
<u>Interest Expenses</u>		
Chyang Sheng Dyeing & Finishing Co., Ltd.	\$ 373	\$ 123
Shin Kong Life Insurance Co., Ltd.	<u>10</u>	<u>249</u>
	<u>\$ 383</u>	<u>\$ 372</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.

(IX) Lease out agreements

Operating lease

The total amount of future lease payments to be collected is as follows:

<u>Type/Name of Related Party</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
UBright Optronics Corp.	\$ 59,236	\$ 51,795
Taishin International Bank Co., Ltd.	83,548	109,413
Shin-Kong Life Real Estate Service Co., Ltd.	16,644	18,998
Related party in substance	<u>13,304</u>	<u>6,376</u>
	<u>\$ 172,732</u>	<u>\$ 186,582</u>

Please refer to Note 30(2) Operating Revenue for information on rental revenue.

## (X) Acquired other assets

Type/Name of Related Party	Financial Statement Account	Acquired the Price	
		2022	2021
Chyang Sheng Dyeing & Finishing Co., Ltd.	Right-of-use assets - buildings	\$ 63,281	\$ -

## (XI) Disposal of other Assets

Type/Name of Related Party	Financial Statement Account	Disposal of the price		Gains (Losses) on Disposal	
		2022	2021	2022	2021
Shin Kong Life Insurance Co., Ltd.	Right-of-use assets - buildings	\$ 11,739	\$ -	\$ 279	\$ -

## (XII) Acquisition of intangible assets

2022

Unit: In Thousands of Shares

Name of Related Party	Financial Statement Account	No. of Transaction Unit	Underlying Securities	Acquired the 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>

2021

Unit: In Thousands of Shares

Name of Related Party	Financial Statement Account	No. of Transaction Unit	Underlying Securities	Acquired the Price
Chyang Sheng Dyeing & Finishing Co., Ltd.	Financial assets at fair value through other comprehensive profit and loss - current	8,740	Chyang Sheng Dyeing & Finishing Co., Ltd. - common stocks	<u>\$ 120,495</u>

## (XIII) Disposal of financial assets

2021

Unit: In Thousands of Shares

Name of Related Party	Financial Statement Account	No. of stock exchange	Underlying Securities	Disposal of the price	Gains and 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>

## (XIV) Loans to related parties

Type/Name of Related Party	December 31, 2022	December 31, 2021
Xin Fu Development Co., Ltd.	<u>\$ -</u>	<u>\$ 73,324</u>

Interest income

Type/Name of Related Party	2022	2021
Xin Fu Development Co., Ltd.	<u>\$ 364</u>	<u>\$ 232</u>

## (XV) Endorsements and guarantees

Endorsements and guarantees provided to others

Type/Name of Related Party	December 31, 2022	December 31, 2021
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

Type/Name of Related Party	December 31, 2022	December 31, 2021
Shinkong Asset Management Co., Ltd.		
Guaranteed Amount	<u>\$ 1,350,000</u>	<u>\$ 1,350,000</u>
Amount Actually Drawn (recognized as secured bank borrowings)	<u>\$ 1,350,000</u>	<u>\$ 1,350,000</u>
Hua Yang Motor Co., Ltd.		
Guaranteed Amount	<u>\$ 710,000</u>	<u>\$ 710,000</u>
Amount Actually Drawn (recognized as secured bank borrowings)	<u>\$ 710,000</u>	<u>\$ 710,000</u>

## (XVI) Other

Financial Statement Account	Type of Related Party	December 31, 2022	December 31, 2021
Cash and cash equivalent	TAIWAN SHIN KONG COMMERCIAL BANK CO., LTD. Taishin International Bank Co., Ltd. Related party in substance	\$ 123,520 67,301 <u>78</u> <u>\$ 190,899</u>	\$ 170,473 62,504 <u>78</u> <u>\$ 233,055</u>
Refundable deposits	Chyang Sheng Dyeing & Finishing Co., Ltd. Shin Kong Life Insurance Co., Ltd. Related party in substance	\$ 3,409 - <u>20</u> <u>\$ 3,429</u>	\$ 3,202 3,456 <u>522</u> <u>\$ 7,180</u>
Guarantee deposits received	UBright Optronics Corp. Taishin International Bank Co., Ltd. Related party in substance	\$ 4,010 5,813 <u>1,190</u> <u>\$ 11,013</u>	\$ 4,010 5,754 <u>1,168</u> <u>\$ 10,932</u>
Financial assets at amortized cost	TAIWAN SHIN KONG COMMERCIAL BANK CO., LTD.	<u>\$ 1,800</u>	<u>\$ 1,800</u>
Non-operating income	Shang De Motor Co., Ltd. Related party in substance	\$ 358 <u>208</u> <u>\$ 566</u>	\$ 193 <u>149</u> <u>\$ 342</u>
Non-operating expenses	Related party in substance	<u>\$ 4</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, 2022	December 31, 2021
TAIWAN SHIN KONG COMMERCIAL BANK CO., LTD.	Shares of Shinkong Insurance Co., Ltd.	10,000 thousands of shares	10,000 thousands of shares
Taishin International Bank Co., Ltd.	Shares of Shinkong Insurance Co., Ltd.	10,000 thousands of shares	10,000 thousands of shares

(XVII) Remuneration to key management

	2022	2021
Short-term employee benefits	\$ 17,644	\$ 15,527
Post-employment benefits	464	407
	<u>\$ 18,108</u>	<u>\$ 15,934</u>

Remuneration to director and key management is determined by the Remuneration Committee based on personal performances and market trends.

XXXI. Pledged Assets

The following assets have been provided as collateral for borrowings:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Financial assets at fair value through other comprehensive profit and loss - non-current	\$ 2,051,880	\$ 1,922,480
Investment properties	1,847,689	1,864,362
Pledged time deposits (recognized as financial assets at amortized cost)	1,800	1,800
	<u>\$ 3,901,369</u>	<u>\$ 3,788,642</u>

XXXII. 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, 2022 and 2021, the guaranteed notes submitted by the Company for import credits and other businesses amounted to NT\$28,851 thousand and NT\$25,748 thousand, respectively.

XXXIII. 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, 2022

	<u>Foreign Currency</u>	<u>Exchange Rate</u>	<u>Carrying amount</u>
<u>Assets denominated in foreign currency</u>			
<u>Monetary items</u>			
USD	\$ 31,843	30.71	\$ 977,898
Euro	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>			
USD	101	30.71	3,089
Euro	10	32.72	339

December 31, 2021

	<u>Foreign Currency</u>	<u>Exchange Rate</u>	<u>Carrying amount</u>
<u>Assets denominated in foreign currency</u>			
<u>Monetary items</u>			
USD	\$ 30,710	27.680	\$ 850,052
Euro	497	31.320	15,577
<u>Non-monetary items</u>			
Subsidiaries, associates and joint ventures accounted for using the equity method			
RMB	2,448	4.344	10,635
<u>Liabilities denominated in foreign currency</u>			
<u>Monetary items</u>			
USD	332	27.680	9,198
Euro	121	31.320	3,793

The Company's (realized and unrealized) foreign exchange gains and losses for the years of 2022 and 2021 amounted to a profit of NT\$66,356 thousand and a loss of NT\$12,316 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.

XXXIV. Additional Disclosures in the following Note

(I) Related Information on Significant Transactions:

1. Financing provided to others. (Table 1)
2. Endorsements and guarantees provided to others. (Table 2)
3. Marketable securities held at the end of this period (excluding investments in subsidiaries, associates and joint ventures). (Table 3)
4. Individual securities acquired or disposed of with accumulated amount of at least NT\$300 million or 20% of the paid-in capital. (None)
5. Acquisition of individual real estate with amount of at least NT\$300 million or 20% of the paid-in capital. (None)
6. Disposal of individual real estate with amount of at least NT\$300 million or 20% of the paid-in capital. (None)
7. Related party transactions with purchase or sales amount of at least NT\$100 million or 20% of the paid-in capital. (Table 4)
8. Accounts receivables from related parties of at least NT\$100 million or 20% of the paid-in capital. (None)
9. Derivative financial instrument transactions. (None)

(II) Related Information on Investees (Table 5)

(III) Information on Investments in Mainland China:

1. 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 6)
2. 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)
  - (1) Purchase amount and percentage, and the closing balance and percentage of the related payables.
  - (2) Sales amount and percentage, and the closing balance and percentage of the related receivables.

- (3) Property transaction amount and the resulting gain or loss.
  - (4) Ending balances and purposes of endorsements/guarantees or collateral provided.
  - (5) The maximum balance, ending balance, interest rate range and total amount of interest of financing for the current year.
  - (6) Other transactions having a significant influence on profit or loss or financial status of the current year, such as providing or receiving services.
- (IV) Information on major shareholders: Name, number of shares held, and shareholding percentage of shareholders with shareholding percentage exceeding 5%. (Table 7)

Shinkong Textile Co., Ltd.  
Financing provided to others  
2022

Table I

Unit: In Thousands of New Taiwan Dollars

No.	The Company provided financing to others	Counterparty	Transaction's Item	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 Financing Amount	Note
													Name	Value			
0	Shinkong Textile Co., Ltd.	Xin Fu Development Co., Ltd.	Receivables from related parties	Yes	\$ 80,000	\$ -	\$ -	1%	Necessity of short-term financing	\$ -	Operating turnover	\$ -		\$ -	\$ 1,174,294	\$ 4,697,177	Note 2
1	Shinkong Asset Management Co., Ltd.	Xin Fu Development Co., Ltd.	Receivables from related parties	Yes	80,000	80,000	70,000	1.3-1.61%	Necessity of short-term financing	-	Operating turnover	-		-	1,229,390	8,220,059	Note 3
1	Shinkong Asset Management Co., Ltd.	Shinkong Textile Co., Ltd.	Receivables from related parties	Yes	300,000	300,000	-	1.64%	Necessity of short-term financing	-	Operating turnover	-		-	1,229,390	8,220,059	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: Shinkong Textile Co., Ltd. Financing Provided:

Total lending amount to firms or companies requiring short-term financing shall not exceed 40% of the Company's net worth and the lending amount to a single enterprise shall not exceed 10% of the Company's net worth.

Maximum amount of financing to companies or firms requiring short-term financing:  $11,742,942 \times 40\% = 4,697,177$

The maximum amount permitted to a single borrower:  $11,742,942 \times 10\% = 1,174,294$

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:  $11,742,942 \times 70\% = 8,220,059$

The maximum amount permitted to a single borrower:  $11,742,942 \times 20\% = 2,348,588$ ;  $3,073,475 \times 40\% = 1,229,390$

Shinkong Textile Co., Ltd.  
Endorsements and guarantees provided to others  
2022

Table II

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	\$ 2,348,588	\$ 72,360	\$ 72,360	\$ 72,360	\$ -	0.60%	\$ 5,871,471	N	N	N	Note 3
1	Shinkong Asset Management Co., Ltd.	Shinkong Textile Co., Ltd.	3	11,742,942	1,350,000	1,350,000	1,350,000	1,350,000	11.50%	11,742,942	N	Y	N	Note 3
2	Hua Yang Motor Co., Ltd.	Shinkong Textile Co., Ltd.	3	11,742,942	710,000	710,000	710,000	710,000	6.10%	11,742,942	N	Y	N	Note 3
2	Hua Yang Motor Co., Ltd.	Shinkong Asset Management Co., Ltd.	3	11,742,942	710,000	710,000	710,000	710,000	6.10%	11,742,942	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 endorers 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  $11,742,942 \times 50\% = 5,871,471$  and the maximum endorsement and guarantee for a single entity was the net worth of  $11,742,942 \times 20\% = 2,348,588$  for the year of 2022.

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, 2022

Table III

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 thousands)	Carrying amount	Shareholding (%)	Fair value	
Shinkong Textile Co., Ltd.	Beneficiary certificates Yuanta/P-shares Taiwan Top 50 ETF	None	Financial assets at fair value through profit or loss - current	1,060	\$ 116,812	-	\$ 116,812	
	GSOC Fund	None	"	18	61,558	-	61,558	
	COTTONWOOD Fund	None	"	9	352,052	-	352,052	
	Stocks - Listed Company Asia Pacific Telecom Co., Ltd.	None	"	524	3,198	0.01	3,198	
	TacBright Optronics Corporation	(6)	"	5,000	25,500	1.08	25,500	
					<u>\$ 559,120</u>		<u>\$ 559,120</u>	
Shinkong Textile Co., Ltd.	Stocks - Listed Company Chyang Sheng Dyeing & Finishing Co., Ltd.	(3)	Financial assets at fair value through other comprehensive profit and loss - current	33,629	\$ 480,889	19.41	\$ 480,889	
	Shinkong Synthetic Fibers Corporation	(4)	"	56,104	984,630	3.47	984,630	
	Taishin Financial Holding Co., Ltd.	(6)	"	7,500	113,251	0.06	113,251	
	Shin Kong Financial Holding	(6)	"	4,609	40,419	0.03	40,419	
					<u>\$ 1,619,189</u>		<u>\$ 1,619,189</u>	
Shinkong Textile Co., Ltd.	Stocks - Listed Company Xintec Inc.	None	Financial assets at fair value through other comprehensive profit and loss - non-current	141	\$ 13,578	0.05	\$ 13,578	10,000 thousands of shares were collateralized to Shin Kong Bank and Taishin International Bank separately with a market value of NT\$977,000 thousand
	O-Bank Co., Ltd.	None	"	10,385	87,128	0.34	87,128	
	The Great Taipei Gas Corporation	(6)	"	10,738	334,489	2.08	334,489	
	Taishin Financial Holding Co., Ltd. - preferred stocks E	(6)	"	228	11,769	0.03	11,769	
	Shinkong Insurance Co., Ltd.	(1)	"	51,540	2,517,706	16.31	2,517,706	

(Continued on the next page)

(Continued from the previous page)

Holding Company	Type and Name of Securities (Note 1)	Relationship with the Issuer of Securities (Note 2)	Financial Statement Account	At the end of the period				Note (Note 3)
				Number of shares (in thousands)	Carrying amount	Shareholding (%)	Fair value	
	Taishin Financial Holding Co., Ltd. - preferred stocks E (Second)	(6)	Financial assets at fair value through other comprehensive profit and loss - non-current	137	\$ 6,476	0.05	\$ 6,476	
	Unlisted companies							
	Tong Hsin Water Business Inc.	(1)	"	1,982	22,763	9.83	22,763	
	Taian Insurance Co., Ltd.	None	"	2,049	60,905	0.69	60,905	
	Shin Kong Chao Feng Co., Ltd.	(5)	"	200	30,865	2.22	30,865	
	Shinkong Mitsukoshi Department Store Co., Ltd.	(4)	"	41,275	1,386,442	3.31	1,386,442	32,000 thousand shares were collateralized to ChinaTrust Commercial Bank with a market value of 1,074,880 thousand
	Shin Kong Recreation Co., Ltd.	(2)	"	650	219,192	3.32	219,192	
	Eastern International Ad.	None	"	-	284	0.90	284	
	Li Yu Venture Capital Co., Ltd.	None	"	209	2,644	1.79	2,644	
	Taiwan Zeniya Interior Design Co., Ltd.	None	"	-	16,589	8.00	16,589	
	Global Securities Finance Corp.	None	"	98	979	0.53	979	
	IRSO Precision Co., Ltd.	None	"	1,000	3,141	4.93	3,141	
	KHL IB Venture Capital	None	"	2,489	39,463	2.98	39,463	
	Mega Solar Energy Co., Ltd.	None	"	1,000	10,000	1.25	10,000	
	CYS Investment Co., Ltd.	None	"	10,000	95,731	18.18	95,731	
					<u>\$ 4,860,144</u>		<u>\$ 4,860,144</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 subsidiary accounted for using the equity method is the company's corporate director.

(4):The company's representative of corporate director is the same person as the Company's representative of corporate chairman.

(5):The company's representative of corporate supervisor and the Company's representative of corporate chairman are relatives within the second degree of kinship.

(6):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.

Related party transactions with purchase or sales amount of at least NT\$100 million or 20% of the paid-in capital

2022

Table IV

Unit: In Thousands of New Taiwan Dollars

Company Name	Related Party	Relationship	Transaction Details				Abnormal Transactions (Note 1)		Notes and Accounts Receivable (Payable)		Note (Note 2)
			Purchases (Sales)	Amount	Percentage of Total Purchases (Sales) (%)	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	\$ 256,533	8.61%	No material difference from general customers	—	—	\$ 44,831	12.87%	
Chyang Sheng Dyeing & Finishing Co., Ltd.	Shinkong Textile Co., Ltd.	Related party in substance	Purchases	156,826	7.15%	No material difference from general customers	—	—	42,061	11.40%	

Note 1: If the transaction terms with related parties are different from that with general customers, the difference and reasons for the differences shall be specified in the Unit Price and the Credit Period columns.

Note 2: In case of advance receipts (prepayments), reasons, the terms of the agreement, the amount and differences from the general transaction type shall be specified in the Note column.

Note 3: Paid-up capital refers to the paid-up capital of the parent company. When the issuer's stock has no par value, or the par value is not NT\$10 per share, the maximum transaction amount related to 20% of the paid-in capital is calculated based on 10% of equity attributable to owners of the parent in the balance sheet.

Shinkong Textile Co., Ltd.  
Names, locations, and other information of investees  
2022

Table V

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	-	100.00	\$ 3,041,282	\$ 1,410,460	\$ 1,409,656	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	-	48.89	363,569	18,581	9,084	
"	SK INNOVATION CO., LTD.	Portcullis Trust Net Chambzs, P.O. Box1225, Apia, Samoa	General investment business	21,424	21,424	-	100.00	8,067	( 2,732 )	( 2,732 )	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	-	33.50	300,027	142,954	47,890	
"	WPI-High Street LLC	5190 Campus Dr., Newport Beach, CA 92660	General investment business	74,656	65,885	-	35.71	55,332	47,009	16,787	
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	764,862	764,862	-	100.00	769,211	2,472	2,427	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	-	100.00	382,623	43,747	43,747	Second-tier subsidiary
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.	76,000	76,000	-	100.00	33,426	( 8,489 )	( 8,489 )	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 6 for information on investments in mainland China.



Shinkong Textile Co., Ltd.  
Information on Investments in Mainland China  
2022

Table VI

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 profit or loss recognized in the current period (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	( \$ 2,732 )	100	( \$ 2,732 ) (2)－C	\$ 8,064	\$ -	-

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	\$ 1,000 USD 30,710TWD	\$ 7,045,765

Shinkong Textile Co., Ltd.  
Information on Major Shareholders  
December 31, 2022

Table VII

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.

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.

VII. Other supplementary information

Certification obtained by the Company and its personnel related to financial information transparency from competent authorities:

The internal control capacity test by the Securities & Futures Institute: 1 person of the audit office.

## 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	2022	2021	Difference	
			Amount	%
Current Assets	5,072,892	5,002,889	70,003	1.40
Investment	5,628,081	5,356,759	271,322	5.07
Property, plant, and equipment	630,474	417,013	213,461	51.19
Right-of-use assets	179,693	150,762	28,931	19.19
Investment properties	5,076,581	5,023,510	53,071	1.06
Other Intangible Assets	3,270	2,457	813	33.09
Other Assets	107,656	181,735	(74,079)	(40.76)
Total Assets	16,698,647	16,135,125	563,522	3.49
Current Liabilities	3,789,321	5,123,044	(1,333,723)	(26.03)
Non-current Liabilities	1,166,384	1,000,963	165,421	16.53
Total Liabilities	4,955,705	6,124,007	(1,168,302)	(19.08)
Share capital	3,000,413	3,000,413	-	-
Capital Surplus	10,010	8,928	1,082	12.12
Retained Earnings	4,326,792	2,563,285	1,763,507	68.80
Other Equity	4,418,901	4,451,666	(32,765)	(0.74)
Treasury Stock	(13,174)	(13,174)	-	-
Total equity	11,742,942	10,011,118	1,731,824	17.30

attributable to owners of the Company				
Non-controlling Interests	-	-	-	-
Total Equity	11,742,942	10,011,118	1,731,824	17.30
<p>The reasons for around NT\$166,986 thousand difference, accounting for 1% of total assets, between the two periods and the change of more than 20% are explained below:</p> <ol style="list-style-type: none"> <li>1. The increase in property, plant and equipment was mainly due to the accounting of the factory building under construction.</li> <li>2. The decrease in current liabilities was mainly due to the completion of disposal of investment property and the write-off of the advance receipt of real estate payment.</li> <li>3. The increase in retained earnings was mainly due to the increase in net profit for the current period.</li> </ol>				

## II. Financial Performance

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

(In Thousands of New Taiwan Dollars)

Item \ Year	2022	2021	Change, by Amount	Change (%)
Net Operating Revenue	3,349,289	2,748,914	600,375	21.84
Operating Costs	2,431,251	2,020,019	411,232	20.36
Gross Profit	918,038	728,895	189,143	25.95
Operating Expenses	618,188	528,671	89,517	16.93
Profit from operations	300,255	200,224	100,031	49.96
Non-operating Income and Expenses	1,963,266	284,849	1,678,417	589.23
Net profit before tax	2,263,521	485,073	1,778,448	366.64
Income tax benefit (expense)	(192,535)	(34,190)	(226,725)	663.13
Current net profit	2,070,986	450,883	1,620,103	359.32

1. Main reasons for material changes: no material changes in operating income, net operating profit and net profit before tax.
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 2023 is expected about 18,681 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	Financial Plan
2022	1,409,594	282,238	(4,012)	(798,200)	163	889,783	—	—

- Analysis of variance in cash flows for the current year
  - Operating activities: the net cash inflow was NT\$282,238 thousand, mainly due to the decrease of notes receivable and accounts receivable.
  - Investment activities: the net cash outflow was NT\$4,012 thousand, no special major project impact.
  - Financing activities: the net cash outflow was NT\$798.2 million, mainly due to the decrease of short-term notes payable.
- Improvement plans for liquidity shortage: N/A.
- Liquidity analysis for the coming year:

(In Thousands of New Taiwan Dollars)

Year	Cash at Beginning of Year Balance	Net cash inflow (outflow) from operating activities throughout the year	Net cash inflow (outflow) from investment activities throughout the year	Net cash inflow (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	Financial Plan
2023	889,783	302,441	117,393	(445,000)	—	864,617	—	—

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 recent year continuously selects appropriate investment targets to expand the Company's investment scope and implement diversified operation. Now, the main reinvestment is profitable as a whole. No major reinvestment plan is made in the next year.

## 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 the risk assessment and sensitivity analysis of financial risk, market risk, interest rate risk and exchange rate risk, please refer to pages 269-271 of the Annual Report.

(2) Future response measures for interest rate changes

The short-term borrowing amount increased in 2022 compared with 2021, but international labor market conditions, inflation pressures, inflation expectations and international developments all affected the interest rate curve, resulting in the increase in interest expense in 2022 as compared with 2021. At present, the Company focuses on financing short-term funds with a lower capital cost, and monetary policy and movements in interest rates in financial markets were monitored.

2. Changes in foreign exchange rates:



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

For the risk assessment and sensitivity analysis of financial risk, market risk, interest rate risk and exchange rate risk, please refer to pages 268-269 of the Annual Report.

(2) Future response measures for exchange rate changes

The Company converts the foreign currency upon received according to the current exchange rate and capital needs, and adjusts the foreign currency deposits to reduce the impact of exchange rate changes on the Company's operations. Moreover, the Company always keep abreast of the international political and economic situation, collects exchange rate information, determines the impact on the overall profit and loss, and takes appropriate measures, accordingly.

3. Inflation:

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

The Company pays close attention to inflation. Given that 2022 average consumer price index (CPI) is 2.95% announced by the Directorate General of Budget, Accounting and Statistics, the Executive Yuan, 2023 average consumer price index (CPI) is expected to have a growth rate at 2.16%. If the inflation rate increases or decreases by 1%, the Company and its subsidiaries will increase or decrease of purchase by about NT\$22,007 thousand.

(2) Future response measures for inflation

The Company will consider market factors, adjust inventory and product prices in a timely manner, to reduce costs, so as to reduce the impact on profits and losses.

(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 investment in 2022.

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

When the Company and its subsidiaries are engaged in loans to others, endorsement/guarantee and derivative product trading, in addition to complying with relevant operating procedures, the Company and its subsidiaries shall regularly announce and declare such transactions, in accordance with the provisions of the competent authority:

- (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 2022.

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

The Company plans to invest in the development of high-tech functional fabrics in the next year, and the estimated cost during the research and development period is about NT\$30,796 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 carries out its financial business in accordance with relevant laws and regulations. So far, important policy and legal changes at home and abroad have not had a material impact on the

financial business of the Company. In the future, the Company will also obtain relevant information in a timely manner and formulate necessary countermeasures to meet the needs of the Company's operation.

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

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

The Company has always upheld the principle of robust and integrity principles in its operation and strengthened the capacity of management team. The Company owns a sound corporate image without material 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.

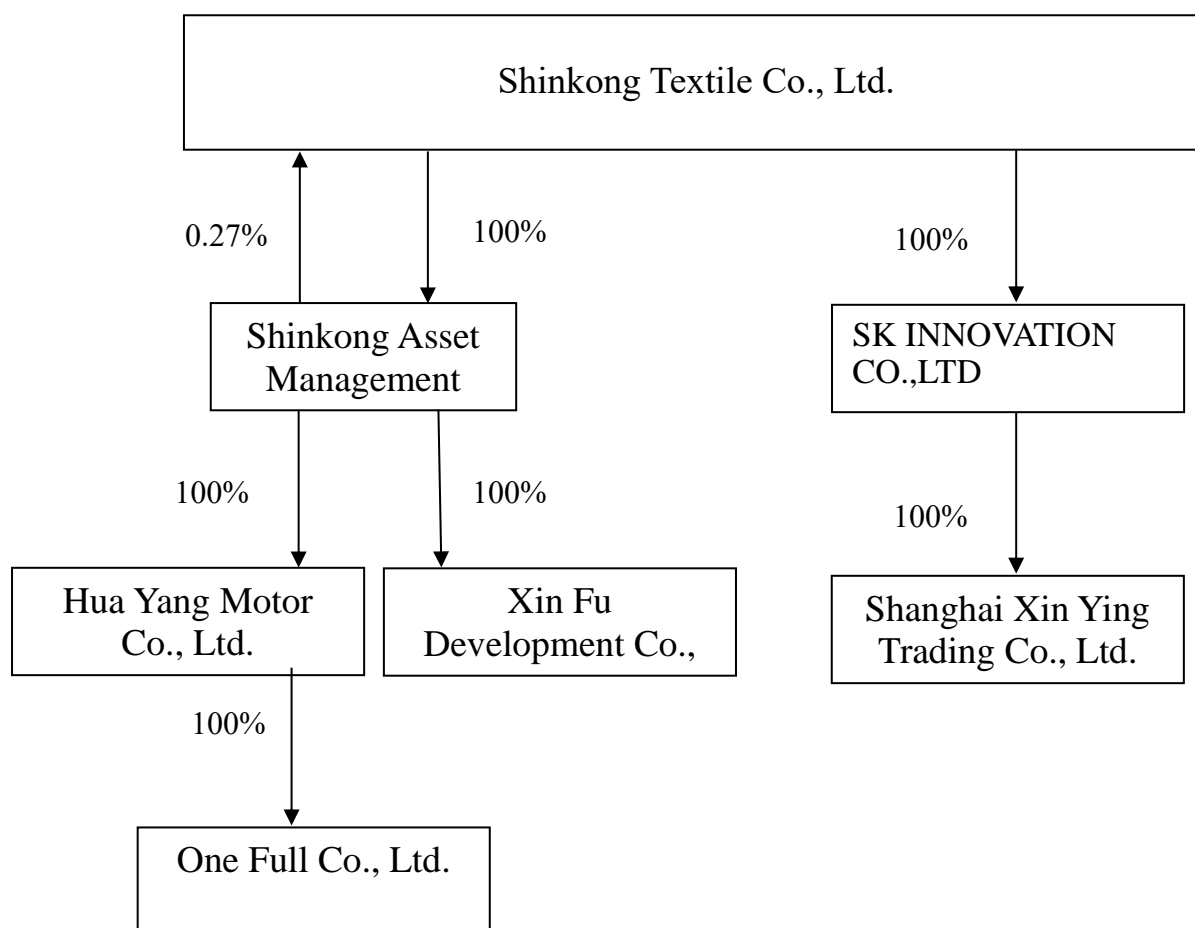
## Chapter 8. Special Notes

### 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	254,906	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	200,000	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

Name of Affiliate	Date of Incorporation	Address	Paid-in Capital	Main Business or Products
One Full Co., Ltd.	2020.09.29	11F, No. 44, Zhongshan N. Rd., Taipei City	76,000	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:

(In New Taiwan Dollars, Shares, %)

Name of Affiliate	Title	Name or Representative	Shareholding	
			Number of Shares	Ownership %
Controlling company: Shinkong Textile Co., Ltd.	Chairman	Chichen Co., Ltd. Representative: Hsing-En Wu Representative: Hsin-Hung Wu Representative: Chin-Fa Chiu	19,650,000	6.54%
	Director	Shin Kong Wu Tung Ching Foundation Representative: Po-Han Lin	51,660	0.01%
	Independent Director	David Ching	0	-
	Independent Director	Mao-Jung Wang	0	-
	Independent Director	Wei-Kan Chen	0	-
	President	Jui-Nan Chang (Note: Newly appointed on May 16, 2022)	0	-

Name of Affiliate	Title	Name or Representative	Shareholding	
			Number of Shares	Ownership %
Affiliates: Shinkong Asset Management Co., Ltd.	Chairman Director Director Director Director  Supervisor Supervisor Supervisor Supervisor	Shinkong Textile Co., Ltd. Representative: Hsing-En Wu Representative: Hsin-Hung Wu Representative: Tung-Sheng Wu Representative: Hsin-Tung Wu Representative: Shu-Ti Chang  Representative: Tung-Sheng Wu Representative: Shih-Chi Hung Representative: Shih-Yi Cheng Representative: Cheng-Ping Huang	25,490,646	100.00%
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: Shu-Ti Chang	20,000,000	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: Chih-Jen Wang Representative: Cheng-Ping Huang	7,600,000	100.00%

## 6. Operational highlights of affiliates

Unit: In Thousands of New Taiwan Dollars

Name of Affiliate	Capital	Total Assets	Total Liabilities	Net Worth	Sales Revenue	Operating Income	Net Income (After tax)	Earnings per share (NT\$) (After tax)
Shinkong Textile Co., Ltd.	3,000,413	16,137,063	4,394,121	11,742,942	3,138,180	203,420	2,070,986	6.92



Shinkong Asset Management Co., Ltd.	254,906	3,462,946	389,471	3,041,282	122,559	36,975	1,410,460	55.33
SK INNOVATION CO., LTD.	21,424	8,067	-	8,067	-	-	(2,732)	(3.90)
Shanghai Xin Ying Trading Co., Ltd.	21,362	9,620	1,556	8,064	2,132	(2,656)	(2,732)	-
Xin Fu Development Co., Ltd.	200,000	839,749	70,538	769,211	7,383	3,980	2,472	0.12
Hua Yang Motor Co., Ltd.	337,000	554,847	172,224	382,623	93,784	58,586	43,747	1.30
One Full Co., Ltd.	76,000	37,136	3,710	33,426	5,943	(8,284)	(8,489)	(1.12)

## (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, 2022, 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 15, 2023

(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, %)

Subsidiary Type	Paid-in Capital	Source of Capital	Shareholding % of the Company	Date of Acquisition or Disposal	Number and Amount of Shares Acquired	Number and Amount of Shares Disposed of	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.	254,906	-	100.00 %	-	-	-	-	803,829 shares NT\$13,174 thousand	-	-	-

## IV. Other Necessary Supplement:

### (I) Reviewing Resolution Items of the 2022 Annual General Meeting and Implementation Status

1. Adopt the 2021 Business Report and Financial Statements
2. Adopt the proposal on the distribution of surplus for 2021

The record date was set to be August 17, 2022. Distribution was completed by September 7, 2022 pursuant to the resolution of the shareholders' meeting. (Each share was entitled to cash dividend of NT\$1 and the total cash dividends to shareholders amounted to NT\$300,041,280.)

3. 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 28, 2022 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.

- (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 in 2020 and 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.

Shinkong Textile Co., Ltd.

Chairman: Hsing-En Wu