

Stock Code: 1419



Shinkong Textile Co., Ltd.

2021 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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Title: Vice President

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4. Audit of the latest financial statements

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5. Name of overseas exchange where securities are listed and method of inquiry: N/A

6. Company website

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Chapter 1. Letter to Shareholders

Dear shareholders,

In 2021, the global textile and garment industry benefited from the recovery of Covid-19 epidemic and relaxing some of lock-down restrictions in various countries, and the overall textile and garment industry grew by 19.5% compared with that in 2020. The retail market was raised to level 3 epidemic alert in Taiwan, which impacted the domestic demand market. However, under the continuous growth of online sales and increasing store shopping after relaxing lock-down restrictions, as well as 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 2021 increased by 52.16% compared with last year, the retail department maintained its revenue, the overall consolidated operating revenue increased by 27.91% compared with the previous year, and the operating net profit increased by 22.50% 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 3,782,499 yards fabric, compared to the last period of 2,790,694 yards, up 991,805 yards; processed 15,531,956 yards fabric, compared to 9,624,121 yards of the last period, up 5,907,835 yards.

II. Business conditions:

The parent company only net operating income of the current period totaled NT\$2,552,849 thousand, an increase of NT\$606,753 thousand over NT\$1,946,096 thousand in the previous period, accounting for 124.76% 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\$1,763,854 thousand, increased by 52.16% compared to the same period of last year, 141.10% of budget. The performance

growth came from the insufficient supplement of brand inventory. Also, with increasing work-at-home during the pandemic, the demands for athleisure wear keep growing, and with increasing exercise at home, and consumers increasingly demand functional garment, driving the performance growth. In addition, the production was limited by the power restrictions in Mainland China and worsen pandemic in Vietnam, some orders flew back to Taiwan's suppliers.

(II) The Retail Department: based on domestic garment market, the operating revenue of this period was NT\$635,542 thousand, which kept unchanged from the same period of last year, 98.63% of budget. International travel and tourists were suspended due to the pandemic policy and border control, which stimulated domestic retail consumption.

(III) The Business Development Department: Its revenue of the current period was NT\$153,453 thousand, remained unchanged from the same period of last year, to 101.13% of budget.

The operating revenue of 2021 was NT\$2,748,914, an increase of NT\$599,701 thousand compared to the same period of last year, accounting for 122.45% of the budget. Net income after tax attributable to the owner of the company was NT\$450,887 thousand.

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

(I) Results of operation based on 2021 business plan:

NT\$: thousand

Item \ Year	2021	2020	Difference
Net Operating Revenue	2,748,914	2,149,213	599,701
Operating Costs	2,020,019	1,526,091	493,928
Gross Profit	728,895	623,122	105,773
Operating Expenses	528,671	459,573	69,098
Other operating income and expenses	-	(102)	102

Profit/(loss) from operations	200,224	163,447	36,777
Net Non-Operating Revenue	284,849	232,509	52,340
Net profit before tax	485,073	395,956	89,117
Current net profit	450,883	364,492	86,391

(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 2022 and thus without disclosure of this information.

(III) Financial Position and Profitability Analysis:

Year		2021	2020	Changes in Percentage(%)
Item				
Return on total assets		3.33	2.92	14.04
Return on shareholders' equity		5.05	4.09	23.47
As a percentage(%) to Paid-in Capital	Operating Income	6.67	5.44	22.61
	Net Income before Income Tax	16.17	13.18	22.69
Net profit margin		16.40	16.96	(3.3)
Earnings per share (NT\$)		1.51	1.22	23.77

IV. Summary of Business Plan of this year:

Thanks to suitable market allocation to mitigate the impact of COVID-19 pandemic, the Company kept competitiveness at both domestic and international market in Q1 2022. The surge of COVID pandemic over last two years brought destructive changes to global community. The world took up new challenges brought by the pandemic relied on innovative technology and resource integration. The slow market recovery due to COVID-19 resulted in supply chain interruption, labor shortage and overcapacity inventory. Along with high inflation, other consequences, and Russia-Ukraine war make the global market 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, product packaging planning, network optimization and digital marketing promotion, along with employing foreign marketing personnel or agents, solve the limitations of face-to-face business promotion and win more export business opportunities.
- (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 for excellent employees, and listen to their ideas on work, life and business.

In post-COVID-19 era, to realize an innovative economy that takes the lead in supply chain, labor skill upgrading or virtual and real 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 post-pandemic world. We will grasp the business opportunities in post-pandemic era.

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 infectious diseases 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 biodegradable, 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, and 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

The COVID-19 epidemic spread across the world in 2020 and the overall textile industry was declined by 19.9%. The increasing vaccination rates and economic recovery in European and USA countries, along with growing market demands, drove the growth of textile orders alongside the middle and upstream of supply chain, the export volume realized 20% growth in 2021.

For the textile industry, the year 2022 is cautiously optimistic. However, under the influence of the epidemic, rising material price, increasing shipping costs, port congestion and other unsolved issues 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 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.

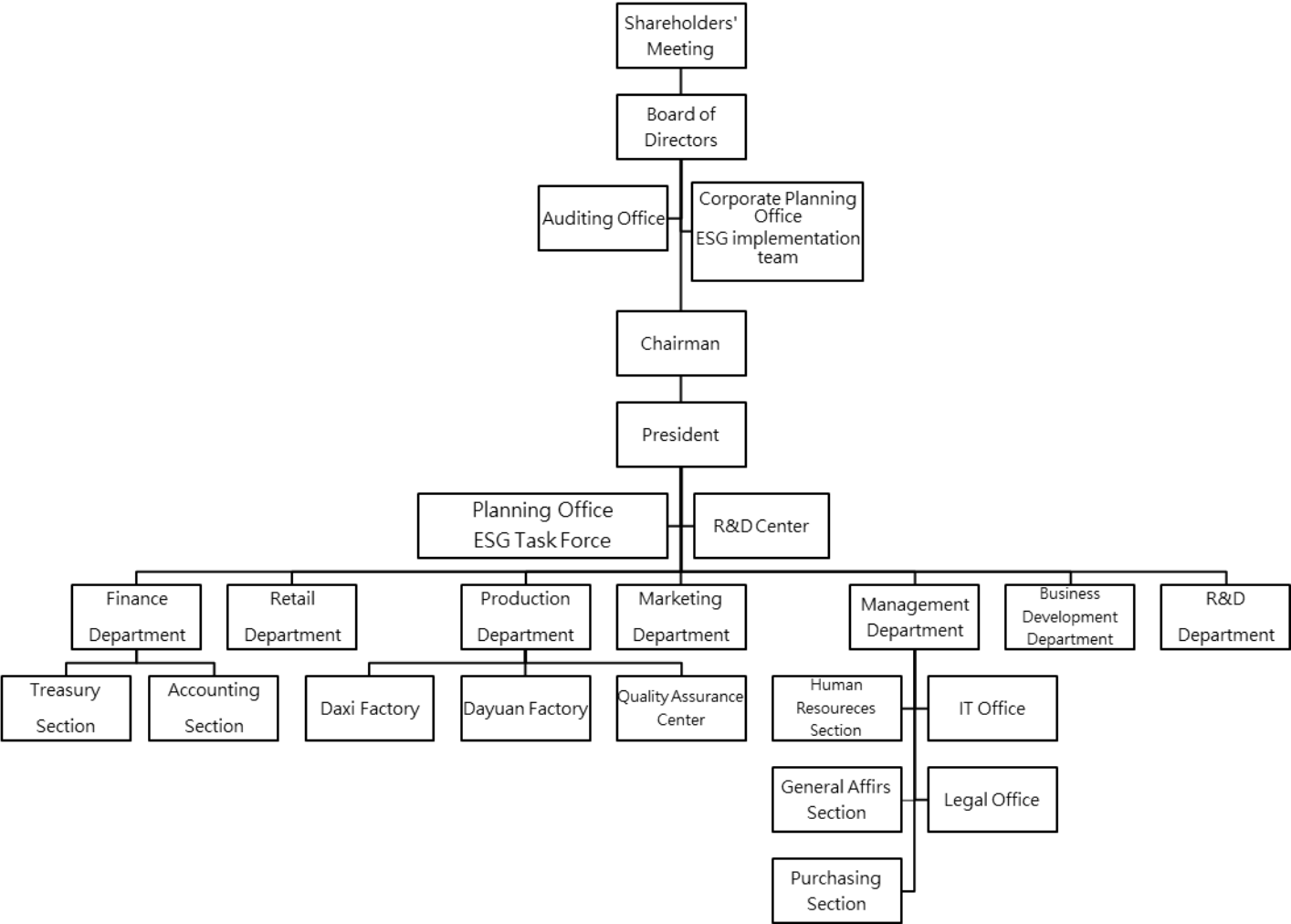
Newly increased 18 traditional yarn-covering machines and 8 units of air yarn-covering machine in May 2021.

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. Information Office: 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	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	6.55	19,650,000	6.55	-	-	-	-	-	-	-	-	-	None
	R.O.C.	Representative Hsing-En Wu	Male 40~49	June 19, 2020		June 19, 2009	0	0	0	0	0	0	201,000	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	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			Remark
							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	60~65	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. Director of TAINET Communication System Corp.				None
Director	R.O. C.	Foundation Wu Tung Ching Foundation	-	June 19, 2020		June 19, 2009	51,660	0.02	51,660	0.02	-	-	-	-			-	-	-	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	E.R.C. Group/Senior Consultant				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	
															College Foundation/Director Preferred 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	three 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	three 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 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	-	-	-	None
Note 1. Chairman of Shinkong Asset Management Co., Ltd. , director of Shinkong Synthetic Fibers Corporation, director of Shinkong Mitsukoshi Department Store Co., Ltd.																				



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	
Note 2. Chairman of Shinkong Insurance, director of Shinkong Co., Ltd.																				





2. Major Shareholder

April 12, 2022

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

April 12, 2022

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. Directors' information, professional qualifications and independence

April 12, 2022

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 60 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			1
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.

(II) Information on the President, Vice Presidents, Assistant Vice Presidents, and Supervisors of Divisions and Branch Units

April 12, 2022

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.	Chin-Fa Chiu (Note 1)	Male	Jan 2, 2003	290 shares	0	0	0	0	0	Master of Business Administration, National Taiwan University Executive General Manager of Ruentex Industries Limited	Director of Chyang Sheng Dyeing & Finishing Co., Ltd. Director of TAINET Communication System Corp.	-	-	-	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	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
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Note 1: President of Chin-Fa Chiu\ was retired on Oct. 29, 2021



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								Ratio of Total Remuneration (A+B+C+D) to Net Income		Relevant Remuneration Received by Directors who Are Also Employees						Ratio of Total Compensation (A+B+C+D+E+F+G) to Net Income		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	Cash Amount	Stock Amount	Cash Amount	Stock Amount		The Company	All Companies in Consolidated Financial Statements
Chairman	Chichen Co., Ltd. Representative: Hsing-En Wu	1,168	1,392	0	0	9,700	9,700	0	0	2.41%	2.46%	13,429	21,629	3,956	4,064	0	0	767	0	6.27%	8.33%	-
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																					
Independent Director	Hon-Kit Shing (Outgoing)																					
Independent Director	Wei-Kan Chen (incoming)																					
Independent Director	David Ching																					
1. Please describe the remuneration policy, regulations, standards and structure of independent directors, and the relationship with the remuneration in line with the responsibilities, risks, time engagement and other factors: The remuneration of the independent directors of the Company authorizes the board of directors to negotiate a fixed remuneration according to their responsibilities, risks, time engagement and the industrial standards, and independent directors do not participate in the distribution of earnings of the Company. 2. Other than disclosures in the above table, remuneration paid to directors for providing services (e.g., providing consulting services as a non-employee) for all companies in consolidated financial statements in the most recent year: None.																						



Remuneration Bracket

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, Chin-Fa Chiu, Po-Han Lin, Wei-Kan Chen, Hon-Kit Shing, David Ching, Mao-Jung Wang	Hsing-En Wu, Hsin-Hung Wu, Chin-Fa Chiu, Po-Han Lin, Wei-Kan Chen, Hon-Kit Shing, David Ching, Mao-Jung Wang	Wei-Kan Chen, Hon-Kit Shing, David Ching, Mao-Jung Wang	Wei-Kan Chen, Hon-Kit Shing, David Ching, Mao-Jung Wang
NT\$1,000,000 (inclusive)~NT\$2,000,000 (exclusive)				
NT\$2,000,000 (inclusive)~NT\$3,500,000 (exclusive)	Shin Kong Wu Tung Ching Foundation	Shin Kong Wu Tung Ching Foundation	Shin Kong Wu Tung Ching Foundation	Shin Kong Wu Tung Ching Foundation
NT\$3,500,000 (inclusive)~NT\$5,000,000 (exclusive)			Hsin-Hung Wu	
NT\$5,000,000 (inclusive)~NT\$10,000,000 (exclusive)	Chichen Co., Ltd.	Chichen Co., Ltd.	Chichen Co., Ltd., Hsing-En Wu, Chin-Fa Chiu	Chichen Co., Ltd., Hsin-Hung Wu, Chin-Fa Chiu
NT\$10,000,000 (inclusive)~NT\$15,000,000 (exclusive)				Hsing-En Wu
NT\$15,000,000 (inclusive)~NT\$30,000,000 (exclusive)				
NT\$30,000,000 (inclusive)~NT\$50,000,000 (exclusive)				
NT\$50,000,000 (inclusive)~NT\$100,000,000 (exclusive)				
Over NT\$100,000,000				
Total	10 persons (including 2 legal persons)	10 persons (including 2 legal persons)	10 persons (including 2 legal persons)	10 persons (including 2 legal persons)



(II) Remuneration Paid to the President and Vice Presidents

(In Thousands of New Taiwan Dollars)

(in thousands of New Taiwan Dollars)

Title	Name	Salary (A)		Severance Pay and Pension (B)		Bonuses and allowances (C)		Employee Compensation (D)				Ratio of total compensation (A+B+C+D) to 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	Chin-Fa Chiu	7,374	7,470	4,057	4,057	3,094	3,110	199	-	271	-	3.27%	3.35%	-
Vice President	Cheng-Yao Lee													
Vice President	Shu-Ti Chang													

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)	Shu-Ti Chang	Shu-Ti Chang
NT\$3,500,000 (inclusive)~NT\$5,000,000 (exclusive)	Cheng-Yao Lee	Cheng-Yao Lee
NT\$5,000,000 (inclusive)~NT\$10,000,000 (exclusive)	Chin-Fa Chiu	Chin-Fa Chiu
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	3 persons	3 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	Chin-Fa Chiu	0	475	475	0.11%
	Vice President	Cheng-Yao Lee				
	Vice President	Shu-Ti Chang				
	Assistant Vice President	Su-Chuan Ko				
	Assistant Vice President	Yung-Hsin Huang				
	Assistant Vice President	Chu-Ying Chen				
	Assistant Vice President	Jen-Chung Wang				

(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



Job Title	2020 Ratio of total remuneration paid to the Company's Directors, President, and Vice Presidents in the parent company only and consolidated financial statements to the net income after tax:	2021 Ratio of total remuneration paid to the Company's Directors, President, and Vice Presidents in the parent company only and consolidated financial statements to the net income after tax:
Director, President and Vice President	10.47%	11.68%

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

1. Remuneration Paid to Directors and Independent Directors:

(1) Fixed income: 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.

(2) 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, if there's balance after deducting accumulated losses from the earnings of current year (i.e. the earnings before deducting the remuneration for employees and Directors/Supervisors from the earnings before tax). Independent directors do not participate in the distribution of directors' remuneration specified in Article 27 of Articles of Incorporation.

(3) The performance appraisal, remuneration policy, standard,



structure and plan shall submit to the remuneration committee and board of directors for review.

2. Managerial officers: 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.

In addition, pursuant to Article 27 of the Articles of Incorporation, the Company shall allocate no less than one percent as the remuneration for employees, if there's balance after deducting accumulated losses from the earnings of current year (i.e. the earnings before deducting the remuneration for employees, directors and supervisors from the earnings before tax). In 2021, the Company shall reserve an amount of 1.99% as employees' compensation.

The remuneration of managerial officers shall be reasonably remunerated based on the budget of profit centers, actual departmental contribution and the net profit before tax.

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.

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.



IV. Operation of Corporate Governance

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

A total of ten (10) meetings of the Board of Directors were held in the most recent year (2021). 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	10	0	10	100%	
Director	Chichen Co., Ltd. Representative: Hsin-Hung Wu	10	0	10	100%	
Director	Shin Kong Wu Tung Ching Foundation Representative: Chia-Hsi Lo(Outgoing)	-	-	-	-	Discharged on January 7, 2021
Director	Shin Kong Wu Tung Ching Foundation Representative Po- Han Lin (Incoming)	10	0	10	100%	Incoming on January 7, 2021
Director	Chichen Co., Ltd. Representative:	10	0	10	100%	Incoming on July 1,



	Chin-Fa Chiu					2020
Independent Director	David Ching	10	0	10	100%	
Independent Director	Hon-Kit Shing (Outgoing)	4	1	5	80%	Discharged on June 18, 2021
Independent Director	Wei-Kan Chen (Incoming)	4	0	4	100%	Incoming on July 16, 2021
Independent Director	Mao-Jung Wang	10	0	10	100%	Incoming on June 19, 2020

The attendance status of the Independent Directors in 2021 are as follows:					
○: Attendance in person △: Proxy attendance *: Not attended					
Date	Term	David Ching	Hon-Kit Shing	Wei-Kan Chen	Mao-Jung Wang
March 30, 2021	The 6th meeting of 23rd board	○	○		○
April 19, 2021	The 7th meeting of 23rd board	○	○		○
May 07, 2021	The 8th meeting of 23rd board	○	○		○
May 11, 2021	The 9th meeting of 23rd	○	○		○



	board				
May 21, 2021	The 10th meeting of 23rd board	○	△		○
June 30, 2021	The 11th meeting of 23rd board	○	Discharge d on June 18, 2021		○
August 11, 2021	The 12th meeting of 23rd board	○		Incoming on July 16, 2021	○
November 10, 2021	The 13th meeting of 23rd board	○		○	○
November 23, 2021	The 14th meeting of 23rd board	○		○	○
December 20, 2021	The 15th meeting of 23rd board	○		○	○



Other matters required to be recorded:

I. With regard to the implementation of the Board of Directors (2021), 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
March 30, 2021	The 6th meeting of the 23rd board	Deliberate the proposal for acquiring right-of-use assets from affiliated companies	Po-Han Lin abstained from discussion and voting as a director of the transaction counterpart. Upon the chairman putting forward the resolution for approval, all attending Directors voted in favor of the proposal without any objections.
May 11, 2021	The 9th meeting of the 23rd board	Deliberate the proposal for appointment of director and supervisor of Shinkong Asset Management Co., Ltd.	The candidates are voted one by one. Upon voting, the related parties (Hsing-En Wu, Hsin-Hung Wu, Hsin-Tung Wu, Shu-Ti Chang) abstained, when chairman Hsing-En Wu abstained from meeting, Hsin-Hung Wu was appointed as acting chairman. Upon voting, agreed to appoint Hsing-En Wu, Hsin-Hung Wu, Tung-Sheng Wu, Hsin-Tung Wu, Shu-Ti Chang as directors of Shinkong Asset Management Co., Ltd.,



			Tung-Sheng Wu, Shin-Chi Hung, Shin-Yi Cheng, Cheng-Ping Huang as supervisors.
August 11, 2021	The 12th meeting of the 23rd board	Deliberate the proposal for appointment of independent director Wei-Kan Chen as the member of the Remuneration Committee	Independent director Wei-Kan Chen abstained from discussion and voting for this proposal. Upon the chairman putting forward the resolution for approval, all attending Directors voted in favor of the proposal without any objections.
November 10, 2021	The 13th meeting of the 23rd board	Deliberate the guarantee provided to Shang De Automobile Co., Ltd., reinvested by the Company, within the range of NT\$72,360,000	(CPA left) Director Hsing-En Wu is director of Shang De Automobile Co., Ltd. and Director Hsin-Hung Wu is supervisor of Shang De Automobile Co., Ltd. so they abstained from discussion and voting. Before Hsing-En Wu left, he appointed Chin-Fa Chiu 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.

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, 2020 to October 31, 2021.	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	(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,



				<p>and internal control.</p> <p>(2) Performance assessment of individual board members: including familiarity with the goals and missions of the Company, understanding their duties and responsibilities, participation in corporate operation, internal relationship management and communication, directors' professionalism and continued knowledge development, internal control.</p> <p>(3) Performance evaluation of the Functional Committee: Participation in the Company's operation, recognition of the Functional Committee's responsibilities, the decision quality of the Functional Committee, composition of the Functional Committee, the election of the members, and internal control.</p>
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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 this year. After discussion and communication, the independent directors have no objections.



- (2) The board of directors conducted performance evaluation in December 2021 and increased the scope of performance evaluation, including the Remuneration Committee. On March 21, 2021, the board of directors reported the evaluation results and completed the announcement and declaration.
- (3) On December 20, 2021, the board of directors made a report on the integrity operation in 2021.
- (4) On December 20, 2021, the board of directors issued the annual risk management report in 2021.
- (5) On December 20, 2021, the board of directors made a report on the implementation of the 2021 annual intellectual property management plan.
- (6) On December 20, 2021, the board of directors made a report on the communication with stakeholders in 2021.



(II) Operation of Audit Committee

Operations of the Audit Committee

A total of 5 meetings of the Audit Committee were held in 2021. 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	Hon-Kit Shing (Outgoing)	1	1	2	50%	Discharged on June 18, 2021
Independent Director	Wei-Kan Chen (Incoming)	3	0	3	100%	Incoming on July 16, 2021
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 2021. 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. Releasing New Independent Directors from Non-competition Restrictions
6. Deliberate the proposal submitted by wholly-owned subsidiary Shinkong Asset Management Co., Ltd.

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

The Audit Committee hereby presents the Company's 2020 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, 2020, 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 3rd meeting of the 2nd audit committee on March 30, 2021 and the 6th meeting of the 23rd board of directors on March 30, 2021 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.

■ Deliberate the proposal submitted by wholly-owned subsidiary Shinkong Asset Management Co., Ltd.

- (1) Shinkong Asset Management Co., Ltd. deliberated the proposal for 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.

After the resolution adopted by the audit committee, the proposal will be reported to the board of directors of the Company for approval and implemented in accordance with the resolution.

- (2) The proposal of Subsidiary Shinkong Asset Management Co., Ltd. for selling plot No. 200-3, sub-section 4, Yangming section, Shilin District to Shin Kong Medical Corporation.

The chairman of the subsidiary negotiated with the counterpart within the scope authorized by the board of directors. After the two parties reached a preliminary agreement, the proposal was reported to the audit committee of the parent company and the board of directors for approval before signing the sales contract, and



the parent company announced it on behalf of the subsidiary according to laws.

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

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

Date	Term	Contents of Motions	Independent directors' objections, reservations or major suggestions	Resolution results of the Audit Committee and the Corporation's Handling of Its Opinions
March 30, 2021	The 3rd meeting of the 2nd board	1. Deliberated the proposal for the Company's 2020 Business Report and Financial Statements.	None	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 2020 earning distribution proposal.	None	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 acquiring right-of-use assets from affiliated companies	None	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 evaluating independence and competence of Certified Public Accountants	None	CPA Li-Huang Li and Manager Chih-Ming TSAI from Deloitte & Touche abstained. Upon the chairman



				putting forward the resolution for approval, all attending members voted in favor of the proposal without any objections.
		5. Deliberate the proposal for the Company's 2020 Statement on Internal Control System.	None	Upon the chairman putting forward the resolution for approval, all attending members voted in favor of the proposal without any objections.
		6. Deliberate the proposal of subsidiary Shinkong Asset Management Co., applying for the credit line NT\$1.1 billion for the building construction with CTBC Bank Co., Ltd.	None	Upon the chairman putting forward the resolution for approval, all attending members voted in favor of the proposal without any objections.
		7. Deliberate the proposal of subsidiary Shinkong Asset Management Co., Ltd. for 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, due to changes in land nature and increasing salary	None	Upon the chairman putting forward the resolution for approval, all attending members voted in favor of the proposal without any objections.
May 21, 2021	4th meeting of the 2nd board	1. Vote for the proposal of Shinkong Asset Management Co., Ltd. applying for NT\$4.7 billion for building construction with Bank of Taiwan and NT\$1.5 billion for operating turnover	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 Shinkong Asset Management Co., Ltd. providing NT\$1.35 billion guarantee for 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.
November 10, 2021	The 6th meeting of the 2nd board	1. Deliberate the guarantee provided to Shang De Automobile Co., Ltd., reinvested by the Company, within the range of NT \$72,360,000	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 proposal for disposing of right-of-use assets from affiliated companies	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 23, 2021	7th meeting of the 2nd board	The proposal of Subsidiary Shinkong Asset Management Co., Ltd. for selling plot No. 200-3, sub-section 4, Yangming section, Shilin District to Shin Kong Medical Corporation.	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.
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(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	Items	Results
March 30, 2021 Audit communication meeting (before the audit committee)	October 2020-January 2021 audit business report and description.	After discussion and communication, the independent directors have no objections.
May 21, 2021 Audit communication meeting (before the audit committee)	February 2021-March 2021 audit business report and description.	After discussion and communication, the independent directors have no objections.
August 11, 2021 Audit communication meeting (before the audit committee)	April 2021-June 2021 audit report and description.	After discussion and communication, the independent directors have no objections.
November 10, 2021 Audit communication meeting (before the audit committee)	July 2021- September 2021 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	Items	Opinions and results
March 30, 2021 Meeting on key audit matters (before the audit committee meeting)	CPA's explanation on key audit report items of financial statements in 2020.	None
November 10, 2021 Meeting on key audit matters (after the board of directors meeting)	CPAs discussed the audit planning matters for 2021 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 controlling power as well as the ultimate owners of those major shareholders?	V	-	(II) The Company makes the list of the major shareholders who actually control the Company and the ultimate controllers of the major shareholders in a timely manner, and reports within one month after the Annual General Meeting in accordance with Article 3 of the Rules	(II) Without deviation.



Evaluation Item	Implementation Status			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
	Yes	No	Description	
(III) Does the company establish and execute a risk management and firewall system within its affiliates?	V	-	Governing Information Reporting by Listed Companies. (III) The Company is independent of its affiliated enterprises and has separate financial control, and has formulated the "procedures for the acquisition or disposal of assets", "operating procedures for loaning funds to others" and "operating procedures for endorsement and guarantee". In addition, in accordance with the "Regulations Governing Establishing of Internal Control System by Public Companies" promulgated by the competent authority, the Company has formulated the control procedures, including "the Management of Related Party Transactions" and "the Management of Financial Statement Preparation Process" in terms of internal control regulations. The risk control mechanism and firewall have been properly established, and the management measures for the supervision of subsidiaries have been formulated for implementation.	(III) Without deviation.
(IV) Does the company establish internal rules against insiders using undisclosed information to trade in securities?	V	-	(IV) The Company has established a "Code of Ethical Conduct" and "Procedures for Handling Material Inside Information" 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	(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	
			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.	
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) 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 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	(I) 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>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.</p> <p>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 Taiwan. The average age of directors is 52, and the term of office of the three independent directors is less than 3 years. In the future, the Company will continue to evaluate the diversity and complementarity of directors and implement the diversification policy. The future objectives include the inclusion of directors' succession plan, the younger age 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 and the inclusion of female directors. These factors will be carefully evaluated when directors are re-elected.</p> <ul style="list-style-type: none"> ◦ <p>The board of the Company adopts the diversified policy and capacity summarized below: ◦</p> <p>(1) Diversified policy</p> <p>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:</p> <p>I. Basic requirements and values: Gender, age, nationality, and culture.</p> <p>II. Professional knowledge and skills: professional background (such as law, accounting, industry, finance, marketing or technology), professional skills and industry experience.</p> <p>(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:</p> <p>I. Ability to make operational judgments.</p> <p>II. Ability to perform accounting and financial analysis.</p> <p>III. Ability to conduct management administration.</p>	



Evaluation Item	Implementation Status			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and Reasons Thereof
	Yes	No	Description	
(II) Other than Compensation and Audit Committees which are required by laws, does the Company plan to set up other functional committees?	-	V	<p>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.</p> <p>(II) The Company has not set up other functional committees, which will be set up in the future in line with the needs of the organization and business environment.</p>	(II) The arrangement will be made in the future as appropriate.
(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-	V	-	<p>(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 the board of directors, the audit committee and the remuneration committee was carried</p>	(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																
election nomination of individual Director? (IV) Has the Company periodically evaluate the independence of the CPAs?	V	-	<p>out in 2021. The evaluation period was from November 1, 2020 to October 31, 2021, and the performance evaluation results were submitted to the board of directors on March 21, 2022.</p> <p>(IV) The Company assesses the independence of the certified public accountant once a year. The employed certified public accountants and the accounting firm have no interest in the Company, and the certified public accountants are replaced within a certain period of time in accordance with regulations.</p> <p>The latest assessment was adopted by the 8th Audit Committee of the 2nd board on March 21, 2022 and submitted to the 16th meeting of the 23rd board of directors on March 21, 2022 for adoption.</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</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	Yes	Yes	(IV) Without deviation.
Evaluation Item	Result (Yes/No)	Meet independence status? (Yes/No)																	
1. No direct or indirect material financial interests with the Company.	Yes	Yes																	
2. No financing or guarantee activities with the Company or its directors.	Yes	Yes																	
3. No close business relationship or potential employment relationship with the Company.	Yes	Yes																	
4. The CPAs and members of the audit team do not serve as directors or managerial officers or holding positions with significant influence on the audit work of the	Yes	Yes																	



Evaluation Item	Implementation Status					Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof																					
	Yes	No	Description																								
			<table><tr><td>Company at present or in the past 2 years.</td><td></td><td></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><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>			Company at present or in the past 2 years.			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	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	
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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 laws and regulations, handling	V	-	(I) On December 23, 2020, the Company appointed the director of corporate governance by the board of directors. His main responsibilities include: matters related to the board of directors and shareholders' meetings, making minutes of the board of directors and shareholders' meetings, assisting directors in taking office and continuing education, providing information required by directors to perform business and assisting directors in compliance with laws and regulations. (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			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	
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>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 2021, corporate governance director will focus on the following work:</p> <ol style="list-style-type: none"> 1. Go through 2021 corporate change registration. 2. Provide continuous learning information for board members, and invite external lecturers to assist in completing the learning courses. 3. Purchase the “directors, supervisors and managerial officers liability insurance”. 4. Urge to convene the communication meeting with CPAs, independent directors, and the auditors to ensure internal audit control, and the minutes of such meeting shall be released on the company's website. 5. The proposed meeting schedule of the board of directors shall be notified to the directors seven days in advance, the meeting shall be convened and the meeting information shall be provided. In case of any matters to be avoided due to conflict of interests, such matters shall be notified in advance and shall be completed within 20 days after the meeting, with the minutes of the board meeting delivered. 6. Handle the relevant matters of the shareholders' meeting according to laws, and go through the 	



Evaluation Item	Implementation Status			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof														
	Yes	No	Description															
			<p>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 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) Training that corporate governance directors received in 2021 (as of the printing date of this annual report)</p> <table><tr><th>Date</th><th>Training Institution</th><th>Course Name</th><th>Training Hours</th><th>Total training hours of the year</th></tr><tr><td>April 27, 2021</td><td>Taiwan Corporate Governance Association</td><td>Setting and operation of the audit committee</td><td>3.0</td><td rowspan="2">18.0</td></tr><tr><td>May 11, 2021</td><td>Shinkong Textile Co., Ltd.</td><td>Related-Parties - Related-Party Transactions</td><td>1.5</td></tr></table>	Date	Training Institution	Course Name	Training Hours	Total training hours of the year	April 27, 2021	Taiwan Corporate Governance Association	Setting and operation of the audit committee	3.0	18.0	May 11, 2021	Shinkong Textile Co., Ltd.	Related-Parties - Related-Party Transactions	1.5	
Date	Training Institution	Course Name	Training Hours	Total training hours of the year														
April 27, 2021	Taiwan Corporate Governance Association	Setting and operation of the audit committee	3.0	18.0														
May 11, 2021	Shinkong Textile Co., Ltd.	Related-Parties - Related-Party Transactions	1.5															



Evaluation Item	Implementation Status							Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof	
	Yes	No	Description						
				June 1, 2021	Shinkong Textile Co., Ltd.	Risk control for insider trading	1.5		
				August 20, 2021	Taiwan Digital Governance Association	Sharing of International Examples of Success or Failure of Digital Transformation	3.0		
				August 31, 2021	Taiwan Digital Governance Association	The international trend of net zero carbon emission and Taiwan's promotion of zero carbon transformation	3.0		
				October 1, 2021	Taiwan Corporate Governance Association	Analysis of corporate social responsibility (CSR, ESG) model practice of corporate governance evaluation	3.0		
				November 5, 2021	Securities and Futures Institute	2021 Annual Prevention of Insider Trading Promotion Conference	3.0		
V. Does the company establish communication channels and a dedicated section on the company website for stakeholders	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						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	
(including but not limited to shareholders, employees, customers, and suppliers) to respond to material sustainable development issues in a proper manner?			issues such as suggestions or doubts raised by stakeholders are responded by spokespersons and acting spokespersons and the Stock Affairs Agency Department of Taishin Securities, a stock affairs agency appointed by the Company. (II) The stakeholder page has been set up on the Company's website. (http://www.skuniform.com.tw/investment/b-1.htm).	
VI. Has the Company appointed a professional shareholder service agency to organize the shareholders' meetings?	V	-	The Company appoints the Stock Affairs Agency Department of Taishin Securities, a stock affairs agency, to handle matters of shareholders' meeting.	Without deviation.
VII. Information disclosure (I) Has the Company established a corporate website to disclose information regarding the Company's financials, business and corporate governance status?	V	-	(I) The Company's website (http://www.sktextile.com.tw) has a dedicated investor section to disclose financial business and corporate governance information, with a link to the public information observatory of the Taiwan Stock Exchange to disclose the Company's financial and major information on a regular or irregular basis. (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	(I) Without deviation. (II) Without deviation.
(II) Does the Company have other information disclosure channels (e.g., maintaining an English-	V	-		



Evaluation Item	Implementation Status			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
	Yes	No	Description	
language website, designating personnel to handle information 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	briefing meeting is published in the investor section of the Company's website. (http://www.sktextile.com.tw) (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 include it in the future plan in line with the situation.
VIII. Is there any other important information to facilitate a better understanding of the company's corporate governance practices (including but not limited to employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, directors' and	V	-	(I) Employee's rights and interests: the Company complies with the provisions on employee's rights and interests in accordance with the Labor Standards Act and relevant regulations, allocates pension and employee benefits on a monthly basis, and insures group insurance and travel safety insurance to protect employee's rights and interests. (II) Employee care: Set up an employee benefit committee,	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	
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>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.</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</p>	



Evaluation Item	Implementation Status			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
	Yes	No	Description	
			<p>Company will provide guidance to suppliers with poor evaluation results, and increasingly purchase and develop new business with suppliers with excellent evaluation results. The Company will visit suppliers from time to time to inspect their implementation of social responsibility.</p> <p>(V) Rights of stakeholders: in addition to communication and coordination with stakeholders, all departments shall regularly publish financial and other relevant information and material information at the public information observatory in accordance with the regulations of the competent authority.</p> <p>(VI) Training of directors and supervisors: the training of directors of the Company on relevant corporate governance courses has been reported at the public information observatory in accordance with regulations. Please refer to note 3 "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.</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>Regarding major corporate decision-making, if any director or a juristic person represented by a director is an interested party with respect to any agenda item, the director shall state the important aspects of the interested party relationship at the respective meeting. When the relationship is likely to prejudice the interests of the Company, the director may express opinions and reply the enquiries and shall not participate in discussion or voting on that agenda item, and further, shall enter recusal during discussion and voting on that item and may not act as another director's proxy to exercise voting rights on that matter. On November 10, 2021, "risk management policies and procedures" was 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.</p> <p>(VIII) Implementation of client policy: based on marketing, the Company works with internationally leading brands</p>	



Evaluation Item	Implementation Status			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
	Yes	No	Description	
			in product research and development, to provide customers with the best quality products. (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.	
IX. Please describe improvements in accordance with corporate governance assessment results issued by the Corporate Governance Center, TWSE in the most recent year, and provide related improvement plan of higher priorities for items that has not yet improved. (not required if not an assessed company) Among the evaluation results of the Company's 2021 corporate governance evaluation (the eighth session), the improvements for items without scores are described as follows:				
No.	Evaluation indicators			Improvements:
III. Improving Information Transparency				
3.2	Does the company release important information in English simultaneously?			The Company has released important information in English since 2022
3.14	Does the Company's annual report disclose the relationship between performance evaluation and remuneration of directors and managers?			The Company's annual report discloses the relationship between performance evaluation and remuneration of directors and managerial officers
3.15	Does the Company's annual report disclose the amount and nature of non- audit fees paid to the certified public accountants and their affiliated accounting firms?			The Company's annual report discloses the amount and nature of non- audit fees paid to the certified public accountants and their affiliated accounting firms since 2022



Evaluation Item	Implementation Status			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
	Yes	No	Description	
No.	Evaluation indicators		The priority items that have not bee improved	
I. Safeguarding shareholders' rights and interests and treating shareholders equally				
1.6	Does the Company hold an Annual General Meeting before the end of May?		The Annual General Meeting will be convened before the end of May from 2023	
1.17	Does the Company have no government agency or single legal person organization and its subsidiaries account for more than one-third of the seats on the board of directors?		It will be improved on a priority basis from 2023	
3.5	Does the Company upload the annual financial report disclosed in English 7 days before the Annual General Meeting? 【If the annual financial report disclosed in English is uploaded 16 days before the Annual General Meeting, then another point will be added to the total score】		The Company will upload the annual financial report disclosed in English 16 days before the Annual General Meeting from 2022	
3.18	Does the Company have an English website containing information related to finance, business and corporate governance?		The Company will set up an English version of website to release financial, business and corporate governance information from 2023	



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		Master of Materials Science and Engineering, UCLA Shin Kong Textile Co., Ltd./Chairman Shinkong Asset Management Co., Ltd./Chairman and President	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.	V	○	V	V	V	V	V	V
David Ching	USA	40~49	Male	Under 3 years	BS in Management Science - Economics, University of California, San Diego Violet Lake Pavillion Hotel, Qiandao Lake/President Ivy Lake View Hotel, Qiandao Lake/President	V		V	V	V	V	V	V
Wei-Kan Chen (Incoming)	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	○		V	V	V	○	○	○
Hon-Kit Shing (Outgoing)	New Zealand	40~49	Male		Bachelor in Economics, MIT MIT/Member of the Visiting Committee Economics Dept. Cottonwood Management, LLC/Chairman and President of TISCO Financial Group PCL/Vice Chairman CDIB& Partners Investment Holding Corporation/Senior Advisor	V		V	V	V	V	V	V
Mao-Jung Wang	R.O.C.	60~69	Male	Under 3 years	Accounting Department of Soochow University Independent Director of MasterLink Securities Corp./Independent Director/Member of Remuneration Committee	○		V	V	V	○	○	○

V refers to fully capable ○ refers to partially capable



Note 2:

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.

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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.

Now, a succession plan is designed for the major managers of the Company. The supervisor of the key position shall submit the main and secondary successors, and put forward the concept of job replacement, so that the main and secondary successors can understand and engage in major positions, and are well prepared for the job.

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 3: Directors' Continuing Education in 2021

Title	Name	Date Appointed	Date	Training Institution	Course Name	Training Hours	Total training hours of the year
Chairman	Hsing-En Wu	June 19, 2020	August 10, 2021	Corporate Operation Association of ROC	Invalidation of resolutions of the shareholders' meeting and cancellation of proceedings	3	7.5
			July 27, 2021	Corporate Operation Association of ROC	The Company's malpractice or operation crisis identified from the financial statements	3	
			June 1, 2021	Shinkong Textile Co., Ltd.	Risk control for insider trading	1.5	
Director	Hsin-Hung Wu	June 19, 2020	August 6, 2021	Independent Director Association of Taiwan	Practical operation and case analysis of shareholders' meeting of public companies	3	6.0
			July 30, 2021	Taiwan Investor Relations Institute	Enterprise crisis trend and risk prediction	3	
Director	Chin-Fa Chiu	July 1, 2020	September 1, 2021	Financial Regulatory Commission	The 13th Taipei Corporate Governance Forum (morning session)	3	6.0
			September 1, 2021	Financial Regulatory Commission	The 13th Taipei Corporate Governance Forum (afternoon session)	3	
Director	Po-Han Lin	Jan 07, 2021	October 29, 2021	Taiwan Insurance Institute	IFRS competitive blueprint and corporate governance	3	6.0
			September 28, 2021	Taiwan Academy of Banking and Finance	Workshop on Operations of Directors and Supervisors and Corporate Governance	3	
Independent Director	David Ching	June 19, 2020	November 24, 2021	Accounting Research and Development Foundation	Legal compliance of enterprise sustainable ESG -- renewable energy and investment in green energy	6	15.0
			November 5, 2021	Securities and Futures Institute	2021 Annual Prevention of Insider Trading Promotion Conference	3	
			October 22, 2021	Securities and Futures Institute	2021 Annual Publicity and Instruction Meeting on Legal Compliance of Insider Equity Transactions	3	
			June 1, 2021	Shinkong Textile Co., Ltd.	Risk control for insider trading	1.5	
			May 11, 2021	Shinkong Textile Co., Ltd.	Related-Parties - Related-Party Transactions	1.5	
Independent Director	Wei-Kan Chen	July 16, 2021	November 5, 2021	Securities and Futures Institute	Global risk perception -- opportunities and challenges in the next decade	3	12.0
			October 14, 2021	Securities and Futures Institute	On the legal risks and countermeasures of directors and supervisors from the perspective of major enterprise fraud cases	3	
			October 7, 2021	Securities and Futures Institute	Discussion on fraud cases of enterprise financial statements	3	
			September 30, 2021	Securities and Futures Institute	The impact and countermeasure of the latest tax law reform on enterprise operation	3	
Independent Director	Mao-Jung Wang	June 19, 2020	September 28, 2021	Taiwan Academy of Financial	Operations of Board of Directors and Supervisors and Corporate Governance	3	6.0
			August 24, 2021	Taiwan Corporate Governance Association	On the responsibilities of directors and supervisors -- on corporate governance from KY case	3	





(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

April 12, 2022

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 expert member. Please refer to the attached schedule for the professional qualifications and experience of the members	All remuneration committee members meet the following conditions: 1. Meet Article 14(6) of Securities and Exchange Act and the "Regulations Governing the Appointment and Exercise of Powers by the Remuneration	0
Independent Director	Wei-Kan Chen (incoming)			0
Independent Director	Hon-Kit Shing (Outgoing)			0



Others	Chi-Yen Liang		Committee of a Company Whose Stock is Listed on the Taiwan Stock Exchange or the Taipei Exchange” (note) 2. They (or in the name of others), their spouse and minor children do not hold shares of the Company 3. 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	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	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		V				V	V
Hon-Kit Shing (Incoming)	New Zealand	40 ~49	Male	Bachelor in Economics, MIT MIT/Member of the Visiting Committee Economics Dept. Cottonwood Management, LLC/Chairman and President	V	V	V		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	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:

	Name	Attendance in Person	Number of times by proxy	Required to attend	Attendance Rate (%)	Remark
Convener	David Ching	3	0	3	100%	
Committee Member	Hon-Kit Shing	1	0	1	100%	Discharged on June 18, 2021
Committee Member	Wei-Kan Chen	1	0	1	100%	Incoming on July 16, 2021
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 Subsequent treatment	Voting results	Actions Taken on the Remuneration Committee's opinions
Date	Term			
March 26, 2021	The 3rd meeting of the 5th board	Deliberate the system, standard, structure and remuneration plan of performance evaluation and remuneration of directors and managerial officers of the Company and the principle for year-end bonus payment in 2020	Upon the discussion of all presenting members, the remuneration distribution principle for employees and directors is reasonable. The current relevant salary measures still meet the needs of the Company and can continue to be adopted. The principle of year-end bonus payment is also reasonable. Upon the chairman putting forward the resolution for approval, all attending members voted in favor of the proposal without any objections.	The proposal to the board of directors is approved by all directors present.
		Deliberate the salary adjustment proposal of the Company in 2021	Upon the chairman putting forward the resolution for approval, all attending members voted in favor of the proposal without any objections.	The proposal to the board of directors is approved by all directors present.
August 5, 2021	The 4th meeting of the 5th board	Deliberate the proposal on the principle of remuneration distribution of employees and directors in 2020	Upon the discussion of all presenting members, the remuneration distribution principle for employees and directors is reasonable. Upon the chairman putting forward the resolution for approval, all attending members voted in favor of the proposal without any objections.	The proposal to the board of directors is approved by all directors present.
December 20, 2021	The 5th meeting of the 5th board	Resignation report of general manager	President Chin-Fa Chiu has met retirement conditions and apply for retirement. His retirement goes effective from Oct 29, 2021.	
		Proposal for organizational change and personnel promotion	Upon the chairman putting forward the resolution for approval, attending members voted in favor of the proposal without any objections. (Shu-Ti Chang abstained from discussion and voting for this proposal)	The proposal to the board of directors is approved by all directors present.

(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
	Yes	No	Description	
I. Has the Company established exclusively (or concurrently) dedicated units to implement sustainable development, and has the Board of Directors appointed the senior management with responsibility for sustainable development, and to report the status of the supervision to the Board of Directors?	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 is dedicated to enhancing the sustainable value of the enterprise; improving information transparency and promoting sustainable management; strengthening the communication between stakeholders and building a good interactive channel; aligning with international standards and guiding due diligence governance; deepening the Company's sustainable governance culture and implementing the policy for business. The Group will	Without deviation.



Evaluation Item	Implementation Status			Gaps with the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies and root causes
	Yes	No	Description	
			<p>strive to promote sustainable development and fulfill corporate social responsibility in a systematic and organized way.</p> <p>Every month, ESG promotion group proposes and reports on environment, occupational safety, product safety and corporate governance..., puts forward improvement suggestions and budgets based on the current situation, as well as planning and facilitating the implementation, to ensure that the sustainable development strategy is fully implemented in the company's operation. Now, the Group focuses on the environmental sustainability, energy conservation and carbon reduction and wastewater recovery policies in addition to zero costs for foreign workers.</p> <p>ESG promotion group report its work plan and disposal to the board at least once per year.</p> <p>In the annual report, the board of directors shall assist in determining the feasibility of the sustainability strategy and reviewing the promotion progress, and may require the promotion group to adjust the Company's</p>	




Evaluation Item	Implementation Status			Gaps with the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies and root causes						
	Yes	No	Description							
			sustainability strategy subject to environmental and external factors.							
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?	V	-	<div> <div>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.</div> <table> <tr> <th>Material issue</th> <th>Aspect of risk</th> <th>Risk assessment policy or project</th> </tr> <tr> <td>Environment</td> <td>Environmental protection</td> <td>The Corporation establishes, implements, maintains, and continuously improves an environmental management system in accordance with the requirements of the environmental management system (ISO 14001), including the required processes</td> </tr> </table> </div>	Material issue	Aspect of risk	Risk assessment policy or project	Environment	Environmental protection	The Corporation establishes, implements, maintains, and continuously improves an environmental management system in accordance with the requirements of the environmental management system (ISO 14001), including the required processes	Without deviation.
Material issue	Aspect of risk	Risk assessment policy or project								
Environment	Environmental protection	The Corporation establishes, implements, maintains, and continuously improves an environmental management system in accordance with the requirements of the environmental management system (ISO 14001), including the required processes								



Evaluation Item	Implementation Status			Gaps with the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies and root causes
	Yes	No	Description	
			<p>and their interactions to achieve the expected results, including the organization's improved environmental performance.</p> <p>The operation of the environmental management system is designed based on the dynamic cycle of plan, do, check, and act (PDCA), to allow the environmental management system to adapt to the overall changes and continue to meet its own requirements.</p> <p>We continue to implement environmental policies and make improvements to the processes and equipment to effectively reduce energy waste and carbon emissions.</p> <p>We have implemented the Infinity Shirt Project (ISP), through which we recycle PET bottle, textile waste, and discarded</p>	



Evaluation Item	Implementation Status			Gaps with the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies and root causes
	Yes	No	Description	
			<div> <div> <p>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.</p> <p>To achieve the goal of environmental sustainability, the Group Uniform Department launched the ISP to create 100% green corporate uniforms for the purpose of sustainable clothing recycling in the future and realize a low-carbon and zero-waste manufacturing process.</p> <div>  <div> <p>為何研發ISP永續制服？</p> <p>100% POLYESTER 永續制服可完整回收，能降低地球汙染。此外，POLYESTER 的紗線是棉的2倍，伸縮率則是棉的10倍，如果以CIP-CYCLE 系統再加工處理回收POLYESTER製作的衣服，再生纖維成為機能衣料，就能讓你的舊衣不再是廢棄或是焚燒。</p> <p>達到零廢棄永續循環</p> <p>將寶特瓶製成的布料與成衣製作過程產生的廢棄結合成環保的織物，經過物理回收技術處理，再製成機能性環保布料後，重新投入成衣生產，達到「零廢棄」真正的永續循環。</p> </div> </div> <p>We formulate implementation plans and</p> </div> </div>	



Evaluation Item	Implementation Status			Gaps with the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies and root causes
	Yes	No	Description	
				projects every year and track the implementation regularly to ensure that our goals are achieved.
			Social Occupational safety	<p>During the implementation 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.</p> <p>We inspect work safety daily and hold an occupational safety meeting quarterly to discuss safety and health plans and review the implementation.</p> <p>We regularly hold fire safety drills and occupational safety education and training every year to enhance employees' awareness of occupational safety and response.</p>



Evaluation Item	Implementation Status			Gaps with the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies and root causes
	Yes	No	Description	
			<div>Product safety</div> <p>The Corporation's products are in compliance with government regulations on products and services.</p> <p>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.</p> <p>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.</p>	
			<div>Governance</div> <div>Socioeconomic</div> <p>We have appointed a corporate governance</p>	



Evaluation Item	Implementation Status			Gaps with the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies and root causes
	Yes	No	Description	
			<div>compliance</div> <div>officer and set up an ESG promotion team to implement relevant tasks, and we confirm regulatory changes through systems to ensure compliance. We regularly raise employees' awareness of corporate governance laws and report to the Board of Directors on the implementation of corporate governance.</div>	
			<div>Strengthening of directors' competencies and fulfilling of their responsibilities</div> <div>We plan courses for directors so that they can understand their own rights and legal responsibilities. 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.</div>	



Evaluation Item	Implementation Status			Gaps with the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies and root causes
	Yes	No	Description	
<p>III. Environmental issues</p> <p>(I) Does the Company establish environmental management system designed to fit industry characteristics?</p>	V	-	<p>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; validity period: 11.17.2021 ~ 11.17.2021 Certificate No.:456631-2021-AE-RGC-RvA, Swiss environmental protection standard Bluesign® Certification, organic content standard (OCs) certification, responsible wool standard (RWS) certification and global recycling standard (GRS) certification, and an employee from the production department is assigned to be responsible for maintaining environmental management.</p>	(I) Without deviation.
<p>(II) Does the company endeavor to utilize all resources more efficiently and use renewable materials that have low impact on the environment?</p>	V	-	<p>(II) To comply with the relevant laws and regulations on environment and energy, and further reduce the environmental load, the Company proactively adopts relevant energy-saving, water-saving and waste reduction measures, replaces the general air compressor with variable frequency air compressor, establishes a dyeing</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
	Yes	No	Description	
		-	<p>overflow water reuse system and promotes the "No Waste, Total Recycle" plan for the complete recycling of polyester cloth, so as to effectively increase the sustainability of petrochemical raw materials and reduce the pollution of the earth and ocean caused by petrochemical wastes.</p> <p>To comply with the relevant laws and regulations on environment and energy and further reduce the environmental load, relevant energy-saving, water-saving and waste reduction schemes are implemented independently. For example, to achieve the effect of energy conservation and carbon reduction, the newly-purchased 335HP frequency conversion air compressor can save 48000KW of power per year, reuse of overflow water from water storage tank (17861 tons of overflow water have been recovered in 2021) and the lighting facilities are renovated.</p> <p>Taking 2019 as the base year, the power consumption per unit output in 2021 decreased by 14.71% compared with the base year, and the steam consumption decreased by 19.81% compared with the base year</p> <p>The materials used by the Company comply with bluesign, GRS, OCS, RWS, ZDHC MRSL and relevant</p>	



Evaluation Item	Implementation Status			Gaps with the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies and root causes
	Yes	No	Description	
			<p>specifications of prohibited / restricted substances in national environmental protection regulations.</p> <p>In its independently developed products, the Company gives priority to the use of environmentally friendly, energy-saving and carbon reducing materials. 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 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</p>	



Evaluation Item	Implementation Status			Gaps with the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies and root causes
	Yes	No	Description	
(III) Does the company assess the potential risks and opportunities of climate change for its current and future operations and undertake related response measures ?	V	-	<p>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>(III) With increasing global climate change threats, "Environmental and climate change risk" has jumped to the top of the five major risks for the Company. In response to potential strategies, the ESG promotion group makes a self-assessment of the risks and opportunities faced in the Company's production, finance and market, formulates future management and business strategies, reviews the implementation status and discusses future plans, and reports to the board of directors regularly. The specific tasks are summarized below:</p> <p>(1) Promote energy conservation, waste reduction and improve energy efficiency: Daxi plant has asked solar manufacturers to rent the factory roof and erect solar panels, which can effectively reduce the indoor temperature of the factory by about 3</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
	Yes	No	Description	
			<p>degrees in summer and effectively reduce carbon emissions; replacing variable frequency air compressor in Daxi plant can reduce power consumption by 48000kw every year; the improvement of lighting equipment in Daxi plant saves 164480kw per year.</p> <p>(2) Continue to promote the C.B.D project, improve the process and equipment, effectively reduce energy waste, and achieve the goal of energy conservation, carbon reduction and sustainable operation,</p> <p>(3) Recover condensate cooling water and update new-type steam trap, to achieve the reuse of resources and reduce the amount of steam required for heating temperature, so as to reduce steam emission.</p> <p>(4) Reuse the overflow water from the water storage tank in Dayuan dyeing area.</p> <p>(5) Develop environmental protection recycling products and agricultural waste reuse products to</p>	



Evaluation Item	Implementation Status			Gaps with the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies and root causes
	Yes	No	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 consumption, or other waste management?	V	-	<p>increase the diversity and market competitiveness of products.</p> <p>(6) Develop multiple suppliers to avoid the risk of unstable supply or material interruption caused by climate factors.</p> <p>(IV) The Company has included the environmental management performance into its daily operation, counted the consumption of water, electricity and waste since 2016, conducted greenhouse gas inventory since 2019, and set annual reduction targets for greenhouse gas emissions, water and waste. ESG implementation team is responsible for monitoring the implementation.</p> <p>To proactively implement energy conservation, replace power consuming equipment to reduce greenhouse gas emissions and implement waste recycling policies, related statistics data are:</p> <p>(1) The energy-saving lighting equipment is used at the new wrap yarn factory, which is estimated to save about 77,000KW in the whole year; the change</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
	Yes	No	Description	
			<p>of lighting equipment in the storage area saves about 87,480KW in the whole year</p> <p>(2) 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.</p> <p>(3) Replacement of variable frequency air compressor in Daxi plant: to achieve the effect of energy conservation and carbon reduction, a new 335hp variable frequency air compressor is purchased, which can save 48000kw / year</p> <p>Given the above, the annual power consumption savings of Daxi plant area in 2021 is 212,480 KWh, with an annual power saving of 4.02%.</p> <p>(4) A variety of resource recycling bins are set in the plant area to implement waste classification, and qualified manufacturers are appointed to clean and transport waste regularly. Annual energy saving: 140,880kg of waste paper and 2,600kg of waste plastic bags.</p> <p>At present, according to ISO14064-1 (Category 2),</p>	



Evaluation Item	Implementation Status			Gaps with the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies and root causes
	Yes	No	Description	
			<p>the main production sites (Daxi and Dayuan plants) have greenhouse gas emissions of about 12885 tons (carbon emission intensity of 2.39 / output unit) in 2020 and 14227 tons (carbon emission intensity of 2.09 / output unit) in 2021. The total water consumption is about 82,975 tons in 2020 and 80,071 tons in 2021; The total amount of waste is about 32.14 tons in 2020 and 36.11 tons in 2021. (The waste cloth containing recycled sound insulation materials is 14.64 tons) (The output of 2021 increased by 26.03% compared with that of 2020, so the waste increased by 12.4%)</p> <p>The quantitative objectives of energy conservation and carbon reduction management are set as follows:</p> <p>(1) Quantitative management objectives of energy conservation and carbon reduction: the carbon emission intensity in 2030 decreased by 20% compared with that in 2019.</p> <p>(2) Measures to achieve objectives</p> <p>The energy saving schemes are implemented, including improving the thermal insulation of pipes, valves and drying cylinders in the whole</p>	



Evaluation Item	Implementation Status			Gaps with the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies and root causes
	Yes	No	Description	
			<p>plant, improving the drain valve management, introducing grade 1 energy-efficient air compressors, increasing the dyeing capacity per unit, reducing energy consumption. The energy consuming equipment is inspected and replaced regularly.</p> <p>The Company implements water-saving plans internally, through experts to formulate and improve the cooling water and condensate reuse system, save water and recycle in the process, transform the water washing equipment, strengthen the cleaning efficiency and reduce the energy consumption.</p> <p>(3) The Company's implementation: Taking 2019 as the base year, the energy saving rate in 2021 is reduced by 25.9%.</p> <p>(4) 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</p>	



Evaluation Item	Implementation Status			Gaps with the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies and root causes
	Yes	No	Description	
			<p>death. Therefore, the Company established ESG (environmental, social, governance) 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.</p> <p>Upon the assessment of the ESG group, it is founded that the current environmental risks, lack of water resources and how to save energy and reduce waste are the main issues faced by the textile industry. Due to climate change, Taiwan is facing increasing rainfall intensity, increasing non-rainfall days, and high temperature often accompanied by water shortage. In particular, the precipitation is unevenly distributed in Taiwan seasonally, and with the water shortage worsened in recent years. Traditional dyeing and finishing</p>	



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	Yes	No	Description	
			<p>process consumes a large amount of water resources. With water resources increasingly becoming scarce, water shortage has become a challenge faced by the textile industry. The excess of greenhouse gases in the atmosphere and ocean makes the Earth be shrouded by a thick layer of greenhouse. The heat from the Sun is difficult to dissipate, resulting in an increase in temperature and triggering various extreme weather mentioned above, such as drought, rainstorm and heat wave. Controlling the global warming within 1.5 Celsius degrees, emissions reduced by 45% by 2030, and reaching net zero by 2050 is the only way to prevent climate-related disasters. The textile industry shall make efforts to improve the process, save energy and reduce waste</p> <p>The environmental process is developed in this environment, as a production mode that uses technology to reduce a large number of chemicals and water based on physical theories, so as to</p>	



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	Yes	No	Description	
			<p>reduce the water consumption of the process and avoid the environmental harm caused by the addition of chemical additives and sewage discharge. The Company continues to invest in the development of environmental processes to reduce the impact of water shortage on the Company's production.</p> <p>In addition, the Company has also successively upgraded the equipment to improve the efficiency of the machine, and asked the manufacturers to achieve energy efficiency through preventing steam leakage, so as to save fuel efficiency, save expenditure (save money) and reduce carbon dioxide emissions.</p>	
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) According to the labor conditions stipulated by the United Nations International Labor Organization and the Fair Labor Association, the Company formulates the code of ethical conduct and the commitment to migrant workers in accordance with the code of ethics	(I) Without deviation.



Evaluation Item	Implementation Status			Gaps with the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies and root causes
	Yes	No	Description	
			<p>and fairness norms.</p> <p>Pursuant to the United Nations International Convention on the Protection of the Rights of All Migrant Workers and Members of their Families, the Company responds to the direct hiring services required by the Taiwan government (the first manufacturer to cooperate with the Indonesian government and directly recruit migrant workers from Indonesia to Taiwan). We are committed to the zero fee policy for foreign migrant workers, so as to ensure that migrant workers will not be enslaved or forced to work due to unscrupulous intermediaries and charges. The Company pays the air ticket fee, physical examination fee, visa fee, residence permit after entering Taiwan, physical examination and intermediary service fee, return ticket fee and Covid-19 PCR fee after the expiration of the contract. So far, more than NT\$3.6 million has been spent on this effort.</p> <p>According to the regulations of the International</p>	



Evaluation Item	Implementation Status			Gaps with the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies and root causes
	Yes	No	Description	
			<p>Labour Organization (ILO), we draft the "code of conduct for migrant employment commitments in line with ethical and fair norms", to prevent involuntary labor, promote workplace equality, and achieve the purpose of promoting sustainable, inclusive, full employment and dignified work. The code of conduct applies not only to foreign migrant workers, but also to local colleagues.</p> <p>Upholding the principle of humanity and compliance with labor laws and regulations such as the Labor Standards Act, the Company does not employ child labor to ensure that minors can grow up in a physically and mentally healthy environment. During recruitment, the interviewer will advise job seekers of the Company's policy of prohibiting child labor, and strictly control the identity inspection procedures to eliminate any possibility of employing child labor with forged certificates.</p> <p>The Company pays attention to gender equality and workplace harassment, and formulates measures to</p>	



Evaluation Item	Implementation Status			Gaps with the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies and root causes
	Yes	No	Description	
(II) Does the company appropriately reflect the business performances or achievements in the employee remuneration policy (including salary, annual leave and other benefits)?	V	-	<p>prevent sexual harassment to ensure that employees work in a respected and safe environment. To implement the Company's "Ethical Corporate Management Best Practice Principles" and "Procedures for Ethical Management and Guidelines for Conduct" and the International Labour Organization (ILO)'s provisions on prohibition of forced labor, we prepare the employee complaint measures to provide appropriate complaint or reporting channels for employees in case of unreasonable and unfair treatment, so as to protect the rights and interests of 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 (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</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
	Yes	No	Description	
(III) Does the company provide a healthy	V	-	<p>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 adjusts their salary and position.</p> <p>(6) The salary was comprehensively adjusted according to the job function and work intensity in March 2022.</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
	Yes	No	Description	
and safe work environment and organize health and safety training for its employees on a regular basis?			<p>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 intolerable risks for correlation improvement after the on-site hazard and risk assessment in the factory, and selected the projects with high risk for improvement.</p> <p>To safeguard workers engaged in some jobs that may have high risk or high incidence of diseases, the warning signs are posted on the machine in the front area to prevent personnel from touching. Employees working in the boiler area are provided with earplugs, dyeing, front finishing and shaping operators, and workers who are exposed to chemical solvents are provided with goggles, respiratory protective</p>	



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	Yes	No	Description	
(IV) Does the company establish effective career development and training plans for its employees?	V	-	<p>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 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>(IV) The Company is dedicated to improving the professional competence of employees. In addition to designing and planning internal training courses in</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
	Yes	No	Description	
(V) Does the company comply with relevant regulations and international standards regarding customer health and safety, right to privacy, marketing and labeling of its products and services and set up relevant consumer protection policies and complaint procedures?	V	-	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. (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.
(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	(VI) Without deviation.



Evaluation Item	Implementation Status			Gaps with the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies and root causes
	Yes	No	Description	
			<p>social responsibility.</p> <p>In accordance with Article 18 of Procedures for Ethical Management and Guidelines for Conduct, AAll 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. According to the provisions of supplier management procedures, the Company regularly evaluates whether suppliers comply with relevant commitments and quality assurance, instructs suppliers with poor evaluation results, and reward suppliers with excellent evaluation results by increasing purchase or developing new business.</p>	
V. Has the Company, following	-	V	Although the Company does not have a corporate social	The Company will



Evaluation Item	Implementation Status			Gaps with the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies and root causes
	Yes	No	Description	
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?			responsibility report, the policies related to environmental policies, human rights norms, corporate governance, health and safety and ethics are implemented in accordance with GRI Standards, along with the sustainability measurement tool "HIGG INDEX" promoted by SAC, self evaluation of the implementation of FEM and FSLM.	include it in the future plan in line with 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: Expenses for sponsoring the 2021 annual fashion dynamic exhibition and 61st anniversary celebration of Shih Chien University. (II) Implement the "zero fee" policy for foreign migrant workers To avoid the improper exploitation of foreign migrant workers or the occurrence of forced labor and debt labor, the Company has officially implemented the "zero fee" policy for foreign migrant workers since 2020. Foreign migrant workers will be recruited by the Company at zero intermediary cost through country-to-country recruitment, and comply with the expectations of international human rights organizations on the migration policy. So far, NT\$3.6 million has been spent on this effort. (III) To separate the employee dormitory from the factory: The Company spends more than NT\$30 million to build the employee				



Evaluation Item	Implementation Status			Gaps with the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies and root causes
	Yes	No	Description	
dormitory with four people shared one unit.				
(IV) Gender equality				
The Company has long attached great importance to employee care and friendly workplace environment. By the publication date of the annual report of 2022, female employees accounted for about 64% of the total number of employees, and female directors above associate level accounted for 56%. The Company's internal management measures also specifically protect the rights and interests of pregnant employees, with a view to establishing a friendly, diversified and highly inclusive workplace.				
(V) Environmental protection:				
1. Improve air emission quality:				
Daxi plant eliminates using heavy oil boilers and switches to natural gas boilers to completely improve the air emission quality and reduce the sulfide emission to 0.				
2. Reduce the temperature in the plant:				
Solar power panels are fully erected on the roof of Daxi plant to reduce the utilization of water chiller unit and reduce the indoor temperature in summer by about 3 degrees compared with previous years, and effectively reduced carbon emission.				
3. Recycling of resources:				
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.				
The qualified manufacturers are invited to regularly recycle and clean them.				
Recycling of waste yarn from Daxi plant and waste cloth from Dayuan plant : the cloth is shredded and reused to make sound insulation materials.				
4. Single sided blank paper reuse. The Company has set up a second-hand paper recycling area next to the photocopier in each				



Evaluation Item	Implementation Status			Gaps with the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies and root causes
	Yes	No	Description	
<p>office to provide colleagues with single-sided blank paper used as daily manuscript paper or photocopying paper.</p> <p>5.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>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. Use energy-saving lamps. The Company has completely replaced all kinds of old lamps, installed energy-saving lamps, and added street lamps with solar panels on the roads of the plant; the storage areas of the newly established package yarn factory and Daxi plant adopt energy-saving light tubes.</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 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: materials or donations are donated from time to time, such as NT\$200,000 to the Taipei Zoo Friends Association, NT \$100,000 to the relief program for the marginal elderly people organized by the "Love Is King”Foundation, and NT\$100,000 to Shipai Evergreen Association.</p> <p>(VIII) Community participation: the Company actively participates in community activities and provides support from time to time, such</p>				



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	Yes	No	Description	
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				
(IX) Consumer rights and interests: to ensure the safety of textiles and from the standpoint of protecting consumers' rights and interests, the products supplied by the Company have been inspected by the quality control and verification organization without harm to consumers. A consumer service hotline 0800698688 is set up.				
(X) Human rights: to guarantee gender equality, eliminate gender discrimination specified in the Constitution and promote substantive equality of gender status, the Company equally treats all employees in the recruitment, employment, daily attendance or promotion of job seekers or employees regardless of their gender or sexual orientation. For example, the recruitment information on the job search website does not contain words that violate gender equality.				
VII. Other information regarding CSR report which is verified by certification bodies: Not applied.				



(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 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	V	-	(II) The Ethical Corporate Management Best Practice Principles specifies the following codes of conduct: 1. Offering and acceptance of bribes. 2. Offering Illegal political donations. 3. Improper charitable donations or sponsorship. 4. Offering or acceptance of unreasonable presents or hospitality,	(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>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> <p>(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?</p>	V	-	<p>or other improper benefits.</p> <p>5. Misappropriation of trade secrets and infringement of trademark rights, patent rights, copyrights, and other intellectual property rights.</p> <p>6. Engaging in unfair competitive practices.</p> <p>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.</p> <p>(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.</p>	(III) Without deviation.
<p>II. Implementation of ethical management</p> <p>(I) Does the company evaluate business partners' ethical records and include ethics-related clauses in the business contracts signed with the counterpart?</p>	V	-	<p>(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</p>	(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 dedicated unit supervised by the Board of Directors to be in charge of ethical corporate management and report to the Board of Directors the implementation of ethical corporate management policies and prevention programs on a regular basis (at least once a year)?	V	-	<p>involved.</p> <p>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 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 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 2021, 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 Procedures for Handling Material Inside Information. Specify relevant procedures to prevent insider trading and corruption.</p> <p>(B) Implement the integrity operation:</p> <p>Strengthen supplier management:</p> <p>The supplier shall sign the letter of commitment of integrity; the suppliers of dyeing auxiliaries have signed a cooperation consent and promised not to violate the relevant provisions of prohibited / restricted substances in any environmental protection laws and regulations in the production, manufacturing, packaging, storage and transportation of products.</p> <p>Education & training:</p> <p>Training for new recruits: the training briefing for new recruits</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>will explain the behaviors that the company should follow in accordance with the code of integrity ethics, and they are asked to sign the "statement of compliance with the integrity management policy".</p> <p>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 management, departmental meetings, production and marketing meetings, etc.</p> <p>A whistleblowing system:</p> <p>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.</p> <p>No whistleblowing reports in 2021, either internally or externally.</p> <p>Strengthen information disclosure: disclose information related to integrity operation in the annual report and the company's website.</p> <p>Regular audit: to assist the board of directors and the management</p>	



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>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 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 2021.</p> <p>(III) The Company has established the procedures for handling material insider information to identify, monitor and manage the risks of dishonesty caused by conflicts of interest. The Company shall adopt policies for preventing conflicts of interest, and shall also offer appropriate means for directors, supervisors, managerial officers, and other stakeholders attending or present at Board meetings to voluntarily explain whether their interests would potentially conflict 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 meeting, or the juristic person represented thereby, has a stake in a matter under discussion in the meeting, that director, supervisor,</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	
(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	V	-	<p>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>(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.</p>	(IV) 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>a certified public accountant to carry out the audit?</p> <p>(V) Does the company regularly hold internal and external training on ethical corporate management?</p>	V	-	<p>(V) The Corporation shall periodically organize training and awareness programs for its personnel and invite the Corporation's commercial transaction counterparties so they understand the Corporation's resolve to implement ethical corporate management, the related policies, prevention programs and the consequences of committing unethical conduct.</p> <p>The relevant norms of integrity operation have been included as one of the orientation training items for new employees.</p> <p>In addition, on May 11, 2021, the Company held a lecture on "transaction between related persons", which was given by Lawyer Hui-Ling Wang from Lotus International Law Office. The length of time is 1.5 hours. The company-wide colleagues were invited to attend, with a total of 18 participants (including one independent director and the director of corporate governance).</p> <p>On June 1, 2021, the Company held a lecture on "case analysis of insider trading", which was given by lawyer Li-Ping Huang from Lotus International Law Office. The length of time is 1.5 hours. Insiders of the Company and relevant personnel in charge of equity change declaration were invited to attend this training. A total of</p>	(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>eight senior executives attended (including the chairman, one independent director and the director of corporate governance)</p> <p>Internal and external education and training sessions related to integrity operation (including courses related to integrity operation policy, business secret publicity and internal control) were held in 2021. The number of participants was about 957, totaling 479 hours.</p>	
III. Implementation of whistleblowing system				
(I) Does the company establish both a reward/whistle-blowing system and convenient whistle-blowing channels? Are appropriate personnel assigned to the accused party?	V	-	(I) The Company has a specific reporting system to encourage colleagues to report any violations of 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 mechanisms?	V	-	(II) An independent whistle-blowing mailbox is set up, which will be processed by HR department. If the reported case involves directors or senior executives, it shall be reported to the independent directors or supervisors, and the categories of whistleblowing matters and their investigation standard operating procedures have been formulated. Documentation of case acceptance, investigation processes, investigation results, and relevant documents.	(II) Without deviation.
(III) Does the company provide protection for	V	-	(III) The Company will keep the identity of the informant and reported	(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	
whistle-blowers against receiving improper treatment?			case confidential, take measures to protect the informant from improper treatment due to whistleblowing, and formulate incentive measures for the informant.	
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. So is the Company's ethical management implementation in 2021	Without deviation.
V. Where the Corporation has stipulated its own best practices on ethical corporate management according to the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies, please describe any gaps between the prescribed best practices and the actual measures taken by the Corporation: Operated by the Principles, no material gap is found: No difference was found.				
VI. Is there any other important information to facilitate a better understanding of the company's ethical corporate management practices? None.				



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

1. To guide the conduct of directors, supervisors, managerial officers and other employees of the Company to comply with ethical standards, the "code of ethical conduct" is hereby formulated to enable interested parties of the Company to better understand the Company's ethical standards of conduct.
2. To foster a corporate culture of ethical management and sustainable development, the "Ethical Corporate Management Best Practice Principles" have been drafted. To implement the 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 implements its CSR, promotes social, environmental and social progress to achieve the sustainable development goal and formulates the Corporate Social Responsibility Best Practice.
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 "Procedures for Handling Material Inside Information" 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 Regarding Corporate Governance

1. Training of managers and job replacement

Title	Name	Date	Training Institution	Course Name	Training Hours
Corporate governance managers (Vice President)	Shu-Ti Chang	April 27, 2021	Taiwan Corporate Governance Association	Setting and operation of the audit committee	3 hours
		May 11, 2021	Shinkong Textile Co., Ltd.	Related-Parties - Related-Party Transactions	1.5hours
		June 1, 2021	Shinkong Textile Co., Ltd.	Risk control for insider trading	1.5 hours
		August 20, 2021	Taiwan Digital Governance Association	Sharing of International Examples of Success or Failure of Digital Transformation	3 hours
		August 31, 2021	Taiwan Digital Governance Association	The international trend of net zero carbon emission and Taiwan's promotion of zero carbon transformation	3 hours
		October 1, 2021	Taiwan Corporate Governance Association	Analysis of corporate social responsibility (CSR, ESG) model practice of corporate governance evaluation	3 hours
		November 5, 2021	Securities and Futures Institute	2021 Annual Prevention of Insider Trading Promotion Conference	3 hours
Accounting Supervisor (Assistant Vice President)	Su-Chuan Ko	July 29, 2021 ┆ July 30, 2021	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
		August 23, 2021		The Development and Internal Control Related to the Latest "Financial Statement Preparation" Policy	6 hours
		September 23, 2021		Financial statement preparation and coping practice: professional course of accounting estimation	3 hours



				and asset impairment	
Accounting Supervisor Job replacement (Manager)	Hsiang-Ju Chen	September 27, 2021 ┆ September 28, 2021	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
		October 27, 2021		Workshop on the preparation of consolidated financial statements	6 hours
		November 15, 2021		The Development and Internal Control Related to the Latest "Financial Statements Preparation" Policy	6 hours
Auditor (Associate Manager)	Ming-Hsien Fang	November 22, 2021	Institute of Internal Auditors	Workshop on audit practice of "asset security protection" and "cloud security"	6 hours
		December 9, 2021	Institute of Internal Auditors	Workshop on audit practice of enterprise cost and value creation	6 hours
Auditor Job replacement	Ya-Li Huang	November 12, 2021	Institute of Internal Auditors	Case sharing of common internal control deficiencies under different business cycles	6 hours
		November 19, 2021	Computer Audit Association	Finance and audit Excel (hidden secrets) function advanced data editing course	6 hours



(IX) Status of Internal Control System

1. Statement of Internal Control

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

Date: March 21, 2022

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 2021:

- 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, 2021, 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 21, 2022, 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: Hsing-En Wu



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

Time	Major resolution	Implementation status
July 16, 2021 (Originally on June 18, 2021)	1. Proposal for Re-election of Independent Director	Major information has been released on the day of the shareholders' meeting, and the change registration has been completed after the meeting
	2. Ratification of 2020 Business Report and Financial Statements	Voting results followed
	3. Ratification of 2020 Earnings Distribution	August 13, 2021 was set as the base date for distribution, the earnings were fully distributed on September 3, 2021 in accordance with the resolution of the shareholders' meeting. (Cash dividend of NT\$1 per share) has been announced on the company's website.
	4. Releasing New Directors from Non-competition Restrictions	Major information has been released on the day of the shareholders' meeting

2. Board of directors

Time	Term	Major resolution
March 30, 2021	The 6th meeting of the 23rd board	1. Distribution of 2020 employee compensation and remuneration to Directors 2. Deliberated the proposal for the Company's 2020 Business Report and Financial Statements. 3. Deliberate the Company's 2020 earning distribution proposal. 4. Deliberate the surplus distribution and cash dividend distribution of the Company in 2020



		<ol style="list-style-type: none"> 5. Deliberate the proposal for acquiring right-of-use assets from affiliated companies 6. Deliberate evaluation of independence and competence of Certified Public Accountants 7. Deliberate the proposal for the Company's 2020 Statement on Internal Control System. 8. Deliberate and submit the minutes of 3rd meeting of the 5th remuneration committee 9. Deliberate and decide related matters on annual general meeting of 2021 10. Deliberate the Company loan NT\$80 million to Xin Fu Development Co., Ltd. 11. Deliberate subsidiary Shinkong Asset Management Co., Ltd. that applies for the credit line NT\$1.1 billion for the building construction with CTBC Bank Co., Ltd. 12. Deliberate subsidiary Shinkong Asset Management Co., Ltd. for 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, due to changes in land nature and increasing salary
April 19, 2021	The 7th meeting of the 23rd board	<ol style="list-style-type: none"> 1. Deliberate the proposal for re-election of independent directors 2. Deliberate and amend related matters on annual general meeting of 2021
May 07, 2021	The 8th meeting of the 23rd board	<ol style="list-style-type: none"> 1. Nomination of candidates for Independent Directors 2. Releasing New Directors from Non-competition Restrictions 3. Deliberate and add relate matters on annual general meeting of 2021
May 11, 2021	The 9th meeting of the 23rd board	<ol style="list-style-type: none"> 1. Deliberate the proposal for appointment of director and supervisor of Shinkong Asset Management Co., Ltd. 2. Deliberate the proposal of amending the Operating Procedures of Subsidiary Shinkong Asset Management Co., Ltd. for Loaning Funds to Others" 3. Deliberate the proposal of amending the Operating Procedures of Subsidiary Shinkong Asset Management Co., Ltd. for Endorsement/Guarantees"
May 21, 2021	The 10th meeting of the 23rd board	<ol style="list-style-type: none"> 1. Vote for the proposal of Shinkong Asset Management Co., Ltd. applying for NT\$4.7 billion for building construction and NT\$1.5 billion for operating turnover from Bank of Taiwan 2. Vote for the proposal of Shinkong Asset Management Co., Ltd. providing NT\$1.35 billion guarantee for the Company
June 30,	The 11th	Deliberate and decide related matters on annual general



2021	meeting of the 23rd board	meeting of 2021
August 11, 2021	The 12th meeting of the 23rd board	<ol style="list-style-type: none">1. Deliberate the proposal for appointment of independent director Wei-Kan Chen as the member of the Remuneration Committee2. Deliberate and submit the minutes of the Remuneration Committee and the proposal on the principle of remuneration distribution for employees and directors3. Deliberate the proposal of the Company investing NT\$10 million to Cottonwood Real Estate Founders Fund, LP
November 10, 2021	The 13th meeting of the 23rd board	<ol style="list-style-type: none">1. Deliberate the guarantee provided to Shang De Automobile Co., Ltd., reinvested by the Company, within the range of NT \$72,360,0002. Deliberate the proposal of authorizing the chairman of the board of directors to renew the original loan and negotiate credit loans with financial institutions during his current term of office3. Deliberate the proposal for disposing of right--of-use assets from affiliated companies4. Deliberate the proposal for amending the Company's Intellectual Property Management Plan5. Deliberate the formulation of the company's "risk management policies and procedures"
November 23, 2021	The 14th meeting of the 23rd board	Deliberate the proposal of Subsidiary Shinkong Asset Management Co., Ltd. for selling plot No. 200-3, sub-section 4, Yangming section, Shilin District to Shin Kong Medical Corporation.
December 20, 2021	The 15th meeting of the 23rd board	<ol style="list-style-type: none">1. Deliberate the budget plan of 20222. Deliberate 2022 audit plan3. Deliberate change of the Company's address4. Deliberate the proposal for organizational change and personnel promotion

(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: President retired (October 29, 2021).



V. Audit Fees for Independent Auditors

Unit: NT\$1,000

Name of CPA Firm	Name of CPA	Audit Period	Audit Fees	Non-audit Fees	Total	Remarks
Deloitte & Touche	Li-Huang Li	Jan 1, 2021 - Dec 31, 2021	2,960	18	2,978	Annual service fee of overseas companies
	Jui-Chuan Chih	Jan 1, 2021 - Dec 31, 2021				

- (I) Audit fees and non-audit fee paid to certified CPA, the CPA firm, and its affiliated enterprises exceed one quarter: None.
- (II) 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 and percentage of the audit fees before and after the change and the reasons shall be disclosed: None.
- (III) 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	2021		For the Current Fiscal Year as of April 12, 2022	
		Shares Held Increase (Decrease) number	Shares pledged Increase (Decrease) number	Shares Held Increase (Decrease) number	Shares pledged Increase (Decrease) number
Chairman 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
	Representative: Chia-Hsi Lo (Discharging Date: October 7, 2021)	0	0	N/A	N/A
Independent Director	David Ching	0	0	0	0
Independent Director	Hon-Kit Shing (Discharging Date: June 18, 2021)	0	0	N/A	N/A
Independent Director	Mao-Jung Wang	0	0	0	0
Independent Director	Wei-Kan Chen	0	0	0	0
President	Chin-Fa Chiu (Discharging Date: Oct 29, 2021)	0	0	N/A	N/A



Title	Name	2021		For the Current Fiscal Year as of April 12, 2022	
		Shares Held Increase (Decrease) number	Shares pledged Increase (Decrease) number	Shares Held Increase (Decrease) number	Shares pledged Increase (Decrease) number
Executive Vice President	Shu-Ti Chang	0	0	0	0
Vice President	Cheng-Yao Lee	0	0	0	0
Vice President	Su-Chuan Ko	0	0	0	0
Assistant Vice President	Su-Chuan Ko (Discharging Date: December 31, 2021)	0	0	N/A	N/A
Assistant Vice President	Yung-Hsin Huang	0	0	0	0
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

(II) Equity transfer information: None.

(III) Pledge of Equity Interests: None.

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

Relationship between Top 10 Shareholders

Name	Current Shareholding		Spouses, Minor Children		Nominee Arrangement		Names and Relationship of Top 10 Shareholders who are Related Parties, Spouses or within Second-Degree of Kinship to Each Other		Remark
	Shares	%	Shares	%	Shares	%	Name	Relation	
Shinkong Synthetic Fibers Corporation	28,378,958	9.46	-	-	-	-	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. Ji Zhen Co., Ltd.	2. Representative of Corporate Director and the Director are the same person. Representative of Corporate Director and the Chairman, Director and Supervisor are within second-degree of kinship to each other.	
Shin Kong Wu Ho-Su Memorial Hospital	20,979,735	6.99	-	-	-	-	1. Shinkong Synthetic Fibers Corporation	1. The Chairman and representative of Corporate Chairman are within second-degree of kinship to each other.	None
Representative: Tung-Ching Wu	1,493,882	0.50	0	0	0	0			
Ji Zhen Co., Ltd.	19,650,000	6.55	-	-	-	-	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			



Name	Current Shareholding		Spouses, Minor Children		Nominee Arrangement		Names and Relationship of Top 10 Shareholders who are Related Parties, Spouses or within Second-Degree of Kinship to Each Other		Remark
	Shares	%	Shares	%	Shares	%	Name	Relation	
Hong Pu Co., Ltd.	14,051,000	4.68	-	-	-	-	None	None	None
Representative: Hsin-Chun Yen	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	4.00	-	-	-	-	1. Mian Hao Industrial Co., Ltd.	1.The Corporate Director/ Representative of Corporate Director/Supervisor of He Rui is also the Corporate Supervisor/ Representative of Corporate Director/ Representative of Corporate Chairman of Mian Hao.	None
Representative: Chin-Tien Lo	0	0	0	0	0	0			
Qian Cheng Yi Co., Ltd.	11,797,300	3.93	-	-	-	-	None	None	None
Representative: Ching-Hsiang Wang	0	0	0	0	0	0			
Cheng Guang Industrial Co., Ltd.	10,914,545	3.64	-	-	-	-	None	None	None
Representative: Hao Chuang	0	0	0	0	0	0			
Hua Chen Co., Ltd.	10,698,049	3.57	-	-	-	-	None	None	None
Representative: Ching-Chin Chang	12,120	0	0	0	0	0			
Mian Hao Industrial Co., Ltd.	8,123,544	2.71	-	-	-	-	1. He Rui Industrial Co., Ltd.	1. the Corporate Supervisor/ Representative of Corporate Director/ Representative of Corporate Chairman of Mian Hao is also The Corporate Director/ Representative of Corporate Director/Supervisor of He Rui.	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 31, 2022

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: April 12, 2022

Shareholder Composition Quantity	Government Agencies	Financial Institutions	Other Legal Entities	Individuals	Foreign Institutions and Foreign Individuals	Total
Number of Persons	0	14	183	14,997	55	15,249
Number of Shares Held	0	7,580,273	238,649,143	48,878,070	4,933,794	300,041,280
Shareholding Ratio	0.00%	2.53%	79.54%	16.29%	1.64%	100.00%

(III) Distribution of Shareholding

Par value NT\$10 per share; April 12, 2022

Shareholder Ownership	Number of Shareholders	Number of Shares Held	Shareholding Ratio (%)
1 to 999	11,803	1,504,290	0.50
1,000 to 5,000	2,639	5,065,920	1.69
5,001 to 10,000	367	2,515,242	0.84
10,001 to 15,000	125	1,474,368	0.49
15,001 to 20,000	59	1,028,556	0.34
20,001 to 30,000	64	1,550,349	0.52
30,001 to 40,000	29	998,425	0.33
40,001 to 50,000	16	729,835	0.24
50,001 to 100,000	41	3,036,465	1.01
100,001 to 200,000	27	4,002,105	1.33
200,001 to 400,000	13	3,744,176	1.25
400,001 to 600,000	11	5,598,004	1.87
600,001 to 800,000	3	2,066,896	0.69
800,001 to 1,000,000	7	6,142,985	2.05
1,000,001 above	45	260,583,664	86.85
Total	15,249	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
Ji Zhen Co., Ltd.		19,650,000	6.54
Hong Pu Co., Ltd.		14,051,000	4.68
Lian Quan Investment Co., Ltd.		13,633,872	4.54
He Rui Industrial Co., Ltd.		12,000,000	4.00
Qian Cheng Yi Co., Ltd.		11,797,300	3.93
Cheng Guang Industrial Co., Ltd.		10,914,545	3.64
Hua Chen Co., Ltd.		10,698,049	3.57
Mian Hao Industrial Co., Ltd.		8,123,544	2.71

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

Item \ Year		2020	2021	Financial Data in the Current Year up to March 31, 2022
Market Price Per Share	Maximum	50.60	45.80	43.10
	Minimum	33.40	36.35	41.65
	Average	44.43	41.51	42.33
Net Worth Per Share	Before Distribution	NT\$30.37	NT\$33.46	(Note 3)
	After Distribution	(Note 2)	(Note 2)	—
Earnings per Share (EPS)	Weighted Average Number of Shares (Note 1)	299,237 thousand shares	299,237 thousand shares	299,237 thousand shares
	Earnings per Share (EPS)	NT\$1.22	NT\$1.51	(Note 3)
Dividends Per Share	Cash Dividends	NT\$1 (Note 2)	NT\$1 (Note 2)	-
	Stock Divide nds	None	None	—
		None	None	—
	Accumulated Undistributed Dividends	(Note 2)	(Note 2)	—



Investment Return Analysis	Price/Earnings Ratio	34.61	27.28	—
	Price/Dividend Ratio	42.23	41.19	—
	Cash Dividend Yield	2.37%	2.43%	—

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 "Separate Financial Statements".

Note 2: The Board of Directors resolved to distribute a cash dividend of NT\$1 per share.

Note 3: No financial report reviewed by CPAs in the first quarter of 2022.

(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:

The Board of Directors has resolved the 2021 earnings distribution proposal.

Cash dividend is NT\$1 per share.

(VII) Effect on Business Performance and Earnings per Share of Distribution of Stock Dividends Proposed or Adopted at the Most Recent Shareholders' Meeting: Not applicable.

(VIII) Remuneration of Employees and Directors

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 1.99% of the profit (pre-tax profits after deducting compensation to employees and remuneration to Directors). After the end of the year, if there are significant changes in the distribution amount resolved in the Board of Directors' meeting, the change is adjusted in the year when expenses are recognized. If the number



changes again subsequently, the changes are accounted for as a change in accounting estimates.

3. Information concerning 2021 compensation to employees and remuneration to Directors resolved in the Board of Directors' meeting in 2022:

(1) To distribute compensation to employees of NT\$9,700,000 and remuneration to Directors of NT\$9,700,000.

(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 2021 Board of Directors' meeting resolved to distribute compensation to employees and remuneration to Directors of NT\$7,400,000 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 Weaving of Textiles
- (2) C305010 Printing, Dyeing, and Finishing
- (3) C306010 Wearing Apparel
- (4) C399990 Other Textile and Products Manufacturing
- (5) F104110 Wholesale of Cloths, Garments, Shoes, Hats, Umbrellas and Clothing Accessories
- (6) F106020 Wholesale of Daily Commodities
- (7) F204110 Retail Sale of Cloths, Garments, Shoes, Hats, Umbrellas and Clothing Accessories
- (8) F206020 Retail Sale of Daily Commodities
- (9) F301010 Department Stores
- (10) F399040 Retail Sale No Storefront
- (11) F401010 International Trade
- (12) F401021 Restrained Telecom Radio Frequency Equipment and Materials Import
- (13) G202010 Parking Area Operators
- (14) H701010 Housing and Building Development and Rental
- (15) H701020 Industrial Factory Development and Rental
- (16) H703090 Real Estate Business
- (17) H703100 Real Estate Leasing
- (18) I301010 Information Software Services
- (19) I501010 Product Designing
- (20) J202010 Industry Innovation and Incubation Services
- (21) JB01010 Conference and Exhibition Services
- (22) ZZ99999 All business items that are not prohibited or restricted



by law, except those that are subject to special approval



2. Proportion of Business:

Main Products	Net Revenue (In Thousands of New Taiwan Dollars)	Weighting (%)
Textile	1,755,377	64%
Retail sale/Garment	642,618	23%
Rental revenue	350,315	13%
Others	604	0%
Total	2,748,914	100%

3. Current Products:

- (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: The texture is delicate and soft.
 - (4) Various composite multi-functional fabrics: Environmentally-friendly recycled materials combined with a variety of functionalities are applied in different environments.
 - (5) Digital printed fabrics: Exquisite, environmentally-friendly nylon taffeta of high resolution is applied to a wide range of textiles from 15D fine denier to 300D thick denier.
 - (6) Industrial cloth, medical care related products: Wear-resistant, anti-bacterial and anti-virus
4. New products planned for development: The COVID-19 pandemic has strengthened the interconnectivity of social, environmental and economic systems, triggered a shift from individualism to thinking, and shaped new consumer attitudes and behaviors. We encourage consumers to embrace and realize their well-being holistically, and



offer them with products, services and experiences that reflect physical and mental well-being.

A highest level of environmental protection awareness: derive the multi-faceted functions provided by functional textiles. The Corporation's product R&D focuses on independent development, trying to use environmentally-friendly, energy-saving and carbon-reduction materials as far as possible, including:

- (1) Zero waste products: From the perspective of "design thinking", we make a product reusable when its life cycle comes to an end. From "waste" to "material", we advocate the concept of "single material" which can be reused in a "closed-loop system". For example: ISP SHINKONG UNIFORM Project.
- (2) Reuse of waste: In addition to recycling yarn from pet bottles and fishing nets that have been implemented for many years, the yarn is recycled from other environmental materials, such as the yarn recycled from waste of yarn factories, embryo cloth factories and garment factories, pineapple fiber of agricultural waste, polyester yarn with carbon capture and zero carbon Tencel, to achieve net zero carbon emission by 2050.
- (3) Reduce the use of mother oil: Sustainable and renewable biomass is used in yarn ends, finishing and processing chemicals to reduce dependence on mother oil, for example: The use of vegetable oil, castor oil....
- (4) Durable product development: In addition to functional considerations, we improve the durability of our products to extend their service life, so as to reduce the environmental impact of excessive consumption caused by the so-called "fast fashion footsteps".
 - (i). Water saving: Waste water is recycled in the process of dyeing yarn to save water by 30%.

(II) Industry Overview:



1. Current status and development of the industry:

The value chain of Taiwan's textile industry has been developing for more than 60 years since the late 1950s. Tempered by the demand of the huge international market, Taiwan's textile industry has undergone several industrial upgrades, transforming from importing raw materials in the early stage to manufacturing artificial fibers with raw materials provided by the petrochemical industry, and moving towards a refined and differentiated layout. A mature production system covering the upstream, midstream and downstream has been established.

According to the "Overview of Taiwan's Textile Import and Export Trade" released by the Taiwan Textile Federation, in terms of Taiwan's textile trade, from January to December, 2021, the total value of Taiwan's textile exports was US\$9.024 billion, an increase of 20%; the total value of imports was US\$3.859 billion, an increase of 15%; the trade surplus was us\$5.165 billion, an increase of US\$1.001 billion or 24% over the same period in 2020.

Textile exports are still dominated by fabrics, with an export value of US\$6.260 billion, accounting for 69% of the total export value, an increase of 24% over the same period of 2020; the export volume was 697,000 metric tons, an increase of 12% over the same period; the export unit prices rose 11% over the same period. The export of "yarn" fell second, accounting for 14% of total textile exports, followed by sundry textiles (6%), fibers (6%) and garments and apparel (5%). Among the five major export items, sundry textiles showed negative growth of 8%, while the rest of the products all grew, with bulk fabrics exports up 24%, fiber up 25%, yarn up 6%, and garments and apparel up 14%. In terms of import value, the major import items are garments and apparel (50%), which grew by 67%, followed by fabrics (15%) up 7%, yarns (15%) up 74%, sundry textiles (11%) up 12%, and fibers (9%) up 18%.



At present, the threat of the mutant virus Omicron has not been eliminated, and the supply chain operation has not been fully recovered due to unfavorable factors such as lack of materials and tight transportation capacity. However, consumption momentum and people's livelihood needs are still there. With the continuous low inventory of brands and garments and the demand for replenishment of inventory, textile, fabric and garment factories are also able to receive additional orders. It is expected that Taiwan textile industry in the upstream, midstream and downstream will receive orders as usual in the first quarter of 2022, with relatively optimistic operating prospects. With the increasing popularity of international vaccination rates and the gradual un-locking of anti-epidemic policies in Europe and the United States, the outlook for global growth remains optimistic. In addition, domestic manufacturers are actively building their production capacity, exports are expected to continue their upward trend in the first quarter.

Items	Export Values (Unit: US\$ 100 Million)	Proportion (%)	Year-over- Year (%)	Export Volume (10,000 Tons)	Year-over- Year (%)	Unit Price (US\$/Kg)	Year-over- Year (%)
1. Fiber	5.07	6	5	38.80	-3	1.31	9
2. Yarn	12.77	14	25	42.89	8	2.98	16
3. Fabric	62.60	69	24	69.70	12	8.98	11
4. Apparel	4.71	5	14	2.19	6	21.47	8
5. Miscellaneous	5.09	6	-8	7.11	0.4	7.17	-9
Total	90.24	100	20	169.69	6	5.62	13

Source: Overview of Taiwan's Textile Import and Export Trade released by the Taiwan Textile Federation (January-December 2021)

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).

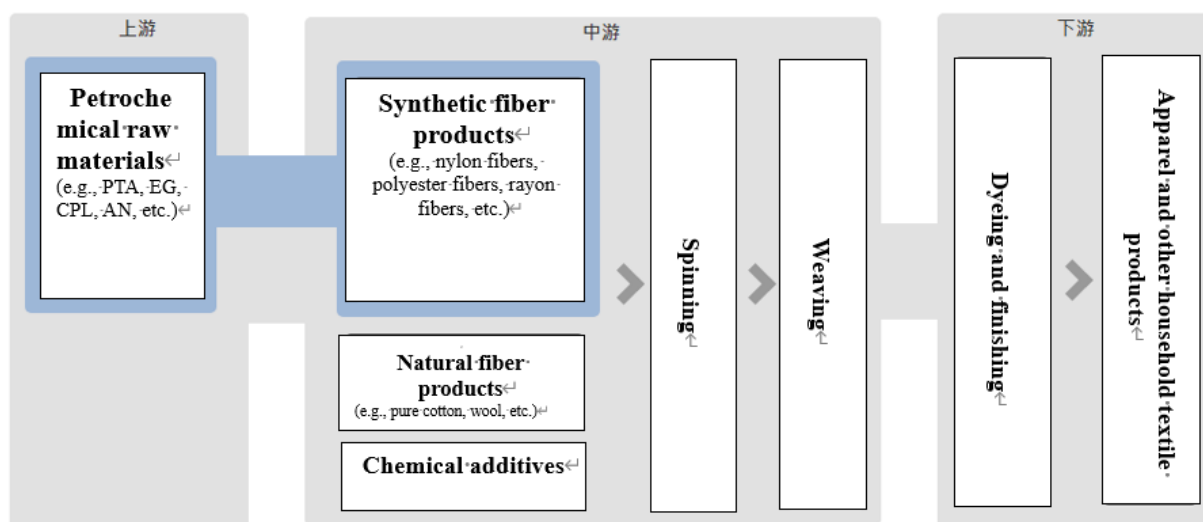
The midstream contains synthetic fiber products, natural fiber products, chemical additives and yarns and fabrics spun and wove by aforementioned materials. Synthetic fiber accounts for 85% of textile produced in Taiwan and of which, polyamide (nylon) and polyester products are the mainstream products. 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, reduces costs 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 production 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.

Weaving				
TWSE-listed Companies (19)	*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.	*Shinih Enterprise Co., Ltd.	
TPEX-listed Companies (2)	*Est Global Apparel Co., Ltd.	*Ensure Global Corp., Ltd.		
Emerging Stock Company (1)	*Mytrex Health Technologies, Inc.			
Well-known foreign companies (3)	*Esquel China Holdings Limited	*Jiangsu Lianfa Textile Co., Ltd.	*LUTHAI Group	

A total of 25 companies

Dyeing and finishing				
TWSE-listed Companies (19)	*Nan Ya Plastics Corporation	*Formosa Chemicals & Fibre Corp.	*Far Eastern New Century Corporation	*Nan Yang Dyeing & Finishing Co., Ltd.
	*Shinkong Textile Co., Ltd.	*TRK Corporation	*Formosa Taffeta Co., Ltd.	*Li Peng Enterprise Co., Ltd.
	*Chia Her Industrial Co.,	*Nien Hsing Textile Co., Ltd.	*Yi Jinn Industrial Co.,	*Everest Textile Co.,



	Ltd. *Chyang Sheng Dyeing & Finishing Co., Ltd. *Evertex Fabrinology Ltd.	*De Licacy Industrial Co., Ltd. *Tri Ocean Textile Co., Ltd.	Ltd. *Tex-Ray Industrial Co., Ltd. *Big Sunshine Co., Ltd.	Ltd. *Chang Ho Fibre Corporation
TPEX-listed Companies (2)	*Toung Loong Textile Mfg. Co., Ltd.	*Singtex Industrial Co., Ltd.		
Well-known foreign companies (3)	*Qingdao Phoenix Printing and Dyeing Co., Ltd.	*Federation Sanhe (Fujian) Co., Ltd.	*Sheng Hong Group Holdings Limited	

A total of 24 companies

Source: Industry Value Chain Information Platform

(III) Overview of technology and R&D:

1. R&D expenses

(In Thousands of New Taiwan Dollars)

Year	2020	2021	Current Fiscal Year up to March 31, 2022
R&D expenses	23,704	25,941	6,579

2. Technologies or products developed successfully

- (1) Environmental protection: waste recycled nylon four-sided elastic fabrics.
- (2) Environmental protection/bio-base: environmental protection/bio-base (75%/25%) mechanical high-elastic fabrics.
- (3) Safety: reflective yarn flat woven four-sided elastic fabrics.

(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) Explore high value-added markets and enhance competitive edge.

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:

- (i). 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.

- (ii). Most office workers around the world work from home during the pandemic, wearing relaxed and comfortable athleisure wear to work at home and doing yoga and simple exercises at home, which increases the demand for performance apparel.
- (iii). Major global brands advocate environmental protection in a high-profile manner, advocating the recycling of polyester fibers, sustainable recycling, carbon emissions, carbon footprint, degradable materials, waste clothing recycling, etc., which are unlimited business opportunities and are the strengths of the Corporation.

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) Severe epidemic, a market with high uncertainty, and depressed consumer buying confidence.
- 8) The problem of international port congestion has not been resolved, and the customer inventory is too large. The



number of orders in the new quarter decreased, reducing inventory pressure.

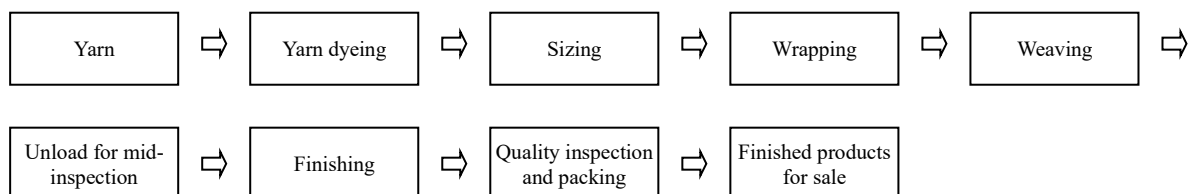
(II) Usage and manufacturing processes for the Corporation's main products:

1. Main applications of key products

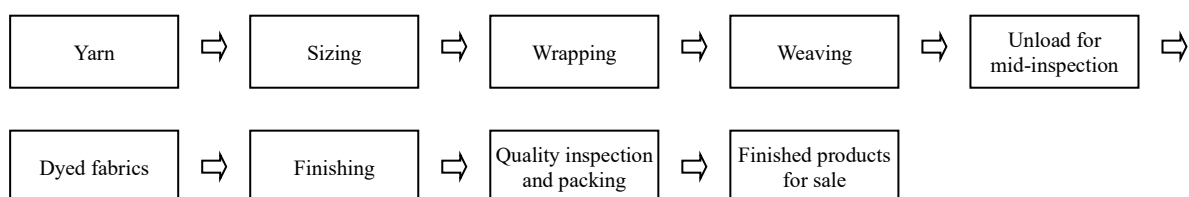
Fabric for clothing: The primary applications are outdoor functional sportswear, ski wear, swimwear and casual wear. The manufacturing processes include yarn dyed woven and knitted fabrics, piece dyed woven and knitted fabrics, and digital print woven and knitted fabrics. Different resin finishing such 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

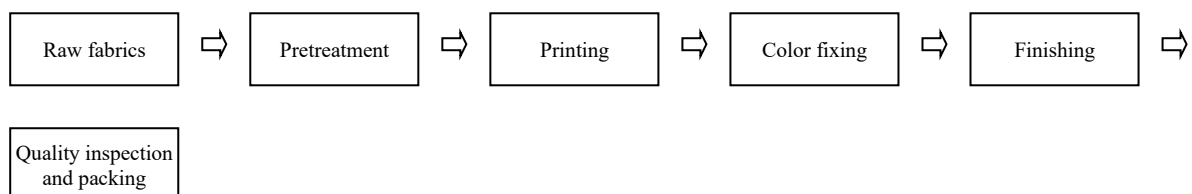
[Yarn Dyed Fabrics]



[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)

2021					2020				Up to the First Quarter of 2022 (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	371,875	19.48	—	Manufacturer A	189,725	16.98	—	-	-	-	—
-	Others	1,537,111	80.52	—	Others	927,360	83.01	—	-	-	-	—
	Net purchases	1,908,986	100.00	—	Net purchases	1,117,085	100.00	—	Net purchases	-	-	—

Note: No financial report reviewed by CPAs in the first quarter of 2022.

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

2021					2020				Up to the First Quarter of 2022 (Note)			
Item	Item	Amount	Percentage of net sales of the year (%)	Relationship with the Issuer	Item	Amount	Percentage of net sales of the year (%)	Relationship with the Issuer	Item	Amount	Percentage of net sales of the year as of the end of last quarter (%)	Relationship with the Issuer
1	Customer A	205,705	8.58	Related party in substance	Customer A	212,418	11.85	Related party in substance	-	-	-	—
-	Others	2,192,290	91.42	—	Others	1,579,883	88.15	—	-	-	-	—
	Net sales	2,397,995	100.00	—	Net sales	1,792,301	100.00	—	Net sales	-	-	—

Note: No financial report reviewed by CPAs in the first quarter of 2022.

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

Item	2021			2020		
	Capacity (thousand yard)	Yield (thousand yard)	Output Value (NT\$ thousand)	Capacity (thousand yard)	Yield (thousand yard)	Output Value (NT\$ thousand)
Self-woven fabric	4,320	3,783	88,620	4,130	2,791	69,981
Dyeing and finishing finished fabrics	12,000	9,944	308,648	12,000	8,324	250,248

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

Item	Unit	2021				2020			
		Domestic sales		Export sales		Domestic sales		Export sales	
		Volume	Value	Volume	Value	Volume	Value	Volume	Value
Blended yarn	Kg	117,243	16,042	—	—	90,661.85	17,686		
Fabric	Yard	1,546,543	113,966	16,081,821	1,597,344	947,992	114,691	9,222,293	996,755
Fabric	Kg	41,778	589	—	—	—	—	—	—
OEM- fabrics		—	21,775	—	—	—	22,551	—	—
Rental income		—	350,315	—	—	—	355,916	—	—
Retail sale/Garment		—	598,368	—	49,886	—	581,963	—	56,983
Others		—	629	—	—	—	2,639	—	29
Total			1,101,684	16,081,821	1,647,230		1,095,446	9,222,293	1,053,767

III. Basic Information of Employees

Year		2020	2021	Financial Data in the Current Year up to March 31, 2022
Number of employees	Domestic employees	371	419	425
	Foreign employees	104	111	109
	Total	475	530	534
Average Age		39 years and 1 month	39 years and 11 months	40 years and 4 months
Average Length of Service		5 years and 8 months	5 years and 8 months	5 years and 9 months
Educational Distribution Ratio	PhD	0.42%	0.38%	0.37%
	Master	7.37%	6.98%	6.55%
	College	44.21%	43.02%	43.64%
	High School	42.32%	40.75%	40.26%
	Below High School	5.68%	8.87%	9.18%

IV. Environmental Protection Expenditures

(I) In the past two fiscal years and as of the date of this annual report, the Company has not incurred losses nor received punishment due to pollution.

(II) Action plans

The Company engages in textile weaving as well as dyeing and finishing. We have installed facilities to control air pollution and wastewater from the manufacturing process. No significant environmental capital expenditure is expected in the future.

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 64% of the total number of employees. Female employees with titles of assistant vice president or above accounted for 56%.

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.

- (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.
- (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.

Education and training in 2021 are as follows:

Courses	Attendees	Total hours	Total cost (NT\$)
Professional Skill	143	215	1,100,525
Managerial Competence	30	120	
Training of New Recruits	143	174	
Promotion on Prevention of Insider Trading	319	165	
Promotion on Ethical Management Policy	319	165	
Promotion on Trade Secret	319	165	
E-Learning	120	120	
On-line Operation Training	112	224	
General Training	65	130	
Technical Development	230	230	
Total	1,800	1,708	

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\$51,143 thousand	Contribution in 2021 amounted to NT\$12,728 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) in 2021.

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

Year	Dayuan Factory		Daxi Factory	
	2020	2021	2020	2021
Representative from employees	6	6	6	6
Representative from management	2	2	2	2
Total	8	8	8	8

Occupational injuries in 2019 and 2020 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			
	2020		2021		2020		2021	
Gender	Male	Female	Male	Female	Male	Female	Male	Female
Absence Rate (A.R)	0%	0.45%	0%	0%	2%	0%	0%	0%
Disabling Frequency Rate (FR)	0	0.97	0	0	1.26	0	0	0
Disabling Severity Rate (SR)	0	58.33	0	0	25.28	0	0	0
Frequency-Severity Indicator (FSI)	0	0.24	0	0	0.17	0	0	0

Note: Absence Rate = total days absent (occupational injury leave) during the reporting period/total working days during the reporting periodx100%
Disabling Frequency Rate = (Total number of people with disabling injuryx10⁶)/Total number of working hours
Disabling Severity Rate = (Total number of days of loss due to disabling injuryx10⁶)/Total number of working hours
Frequency-Severity Indicator (FSI) = (FRxSR/1000)^(1/2)

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.

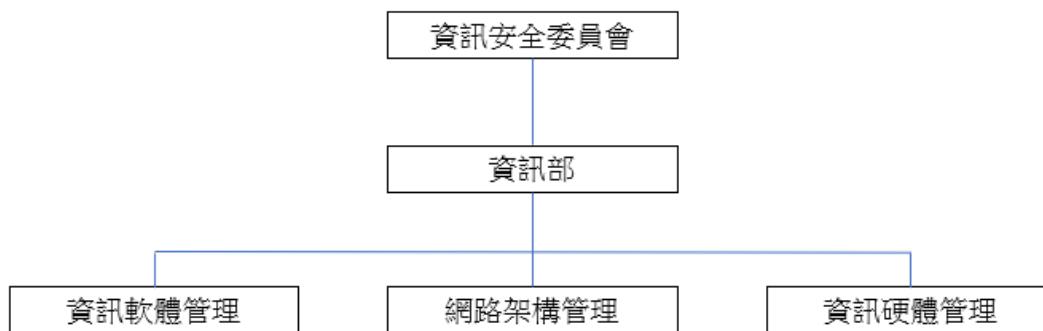
Considering the shock and impact of natural disasters and accidental disasters caused by human factors on operations, the Corporation has established a disaster risk management mechanism with a preventive management attitude, and has developed the "Emergency Response Management Procedures" to avoid or 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. Cyber Security Management

1. Cyber Security Framework



2. Cyber Security Policy:

- (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.

3. Specific implementation measures:

Management plan: The Corporation has signed maintenance and warranty contracts for its operating assets such as maintenance information systems and network equipment and other information equipment, and developed response measures to information security challenges such as APT advanced persistent attacks, DDoS attacks, ransomware, social engineering attacks, and information theft. The Corporation continuously keeps an eye on the changing information environment every year in accordance with its information security policy, draws up information security protection mechanisms and plans with reference to technical papers and periodicals, strengthens awareness of security crisis among staff and the ability of the security personnel in response to emergencies, so as to prevent in advance and detect and stop the crisis spread effectively, and implements the following information security management measures, as shown in the following table:

Information security management measures		
Type	Description	Related measures
Personnel security management	Personnel account, authority management and educational training	<ul style="list-style-type: none"> ● Personnel account authority management and approval ● Deletion of account after personnel dimission and transfer ● Information security education and training
Computer system security management	System security management, data security management, protection against computer viruses and malware	<ul style="list-style-type: none"> ● Setting and control of computer operating system ● Daily backup and remote backup of ERP system ● Use legal software and keep the virus pattern up to date
Network security	Network security planning and management, Network user	<ul style="list-style-type: none"> ● Establish a firewall and anti-virus system

Information security management measures		
Type	Description	Related measures
management	management, email security management	<ul style="list-style-type: none"> ●Regular promotion on information security ●Do not open emails from unknown sources
System access control	Control measures for personnel accessing internal and external systems and data transmission channels	<ul style="list-style-type: none"> ●System access is limited to those required to perform business and duties ●After opening a system account, the user needs to change the password every six months ●Apply for changes in user access, and information can only be modified upon approval
Security management of information assets	Transfer and scrapping disposal of information assets	<ul style="list-style-type: none"> ●All hard disks should be removed before scrapping an information equipment, and the scrapping request form should be recorded before scrapping ●Transfer of information equipment shall be recorded in the transfer application form
Security management of system development and maintenance	Security management of general computer system operations and outsourced operations	<ul style="list-style-type: none"> ●Application program updates should be coordinated by each application system owner ●Outsourced information vendors should be responsible for security management, and keep confidential
Physical and environmental security management	Computer equipment security management, power supply system management, setting and management of fire protection system in the computer room	<ul style="list-style-type: none"> ●Dedicated personnel are responsible for the computer room for regular maintenance and testing ●Provide uninterrupted power system ●Access control is implemented for the computer room
Planning and management of business continuity plans	Backup and recovery operations, information security incident notification and processing mechanism	<ul style="list-style-type: none"> ●A test drill for backup and recovery operations should be carried out every year ●Any information security incident is found should be promptly reported to the competent authority and personnel for handling
Information security audit	Confirm the implementation of information security management activities	<ul style="list-style-type: none"> ●A test drill for backup and recovery operations should be carried out every year ●Any information security incident is found should be promptly reported to the competent authority and personnel for handling

4. Resources invested in information security

The Corporation continues to invest resources in information security-

related areas, with the investment cost increased by 45% in 2021 compared to that in 2020. The resources invested include technical infrastructure, strengthening the attack prevention on the host end and client end, and anti-virus equipment and software, intelligence monitoring and analysis, etc., to comprehensively enhance the Corporation's information security capabilities.

5. Any losses in the most recent fiscal year and up to the publication date of the annual report due to significant cyber security incidents, the possible impacts therefrom, and measures being or to be taken:

The Company has not suffered from any losses in 2021 and up to the publication date of the annual report due to significant cyber 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)

(In Thousands of New Taiwan Dollars)

<div> <div>Year</div> <div>Item</div> </div>		Financial Information for the Most Recent Five Years (Note1)					Financial Data in the Current Year up to Financial Information as of March 31, 2022 (Note 2)
		2017	2018	2019	2020	2021	
Current Assets		3,687,904	2,136,448	2,423,394	2,891,898	5,002,889	-
Property, plant and equipment		509,668	564,260	318,639	321,571	417,013	-
Intangible Assets		2,515	1,231	2,752	2,368	2,457	-
Other assets		9,575,325	9,544,947	10,173,954	10,363,291	10,712,766	-
Total Assets		13,775,412	12,246,886	12,918,739	13,579,128	16,135,125	-
Current liabilities	Before distribution	3,673,518	2,953,189	2,991,784	3,532,018	5,123,044	-
	After distribution	4,791,505	3,207,481	3,291,825	3,832,059	5,423,085	-
Non-current liabilities		852,914	878,198	1,187,807	959,742	1,000,963	-

Total Liabilities	Before distribution	4,526,432	3,831,387	4,179,591	4,491,760	6,124,007	-
	After distribution	5,644,419	4,085,679	4,479,632	4,791,801	6,424,048	-
Equity Attributable to Owners of the Parent		9,202,166	8,372,292	8,704,392	9,087,364	10,011,118	-
Capital Stock		3,000,413	3,000,413	3,000,413	3,000,413	3,000,413	-
Capital Surplus		2,646	5,957	6,916	7,911	8,928	-
Retained Earnings	Before distribution	3,033,065	2,205,946	2,339,776	2,418,420	2,563,285	-
	After distribution	1,915,078	1,951,654	2,039,735	2,118,379	2,263,244	-
Other Equity		3,179,216	3,173,150	3,370,461	3,673,794	4,451,666	-
Treasury Stock		(13,174)	(13,174)	(13,174)	(13,174)	(13,174)	-
Non-controlling Interests		46,814	43,207	34,756	4	-	-
TOTAL Equity	Before distribution	9,248,980	8,415,499	8,739,148	9,087,368	10,011,118	-
	After distribution	8,130,993	8,161,207	8,439,107	8,787,327	9,711,077	-

Note 1: The above annual financial information has been audited and signed by the CPAs.

Note 2: no financial report reviewed by CPAs in the first quarter of 2022.

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

(In Thousands of New Taiwan Dollars)

Year Items	Financial Information for the Most Recent Five Years (Note1)					Financial Data in the Current Year up to March 31, 2022 Financial information (Note 2)
	2017	2018	2019	2020	2021	
Operating Revenue	1,487,951	1,605,981	2,083,581	2,149,213	2,748,914	-
Gross Profit	285,941	410,013	594,812	623,122	728,895	-
Operating Profit (Loss)	(125,936)	(23,768)	113,409	163,447	200,224	-
Non-operating Income and Expenses	1,507,441	303,224	264,383	232,509	284,849	-
Net profit before tax	1,381,505	279,456	377,792	395,956	485,073	-
Net income (loss) from continuing operations for this period	1,232,439	278,939	378,820	364,492	450,883	-
Loss from Discontinued Operations	-	-	-	-	-	-
Net profit or loss for this period	1,232,439	278,939	378,820	364,492	450,883	-
Other comprehensive income for the period (after tax)	288,760	8,309	198,002	325,054	771,891	-
Total Comprehensive Income for the period	1,521,199	287,248	576,822	689,546	1,222,774	-
Net income (loss) attributable to owners of parent company	1,242,208	282,546	387,431	365,025	450,887	-

Profit (loss) attributable to non-controlling interests	(9,769)	(3,607)	(8,611)	(533)	(4)	-
Comprehensive Income Attributable to Owners of the Parent	1,530,968	290,855	585,433	690,082	1,222,778	-
Comprehensive Income Attributable to Non-controlling Interests	(9,769)	(3,607)	(8,611)	(536)	(4)	-
Earnings per Share (EPS)	4.15	0.94	1.29	1.22	1.51	-

Note 1: The above annual financial information has been audited and signed by the CPAs.

Note 2: no financial report reviewed by CPAs in the first quarter of 2022.

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 (Note 1)					Financial Data in the Current Year up to March 31, 2022 Financial information (Note 2)
		2017	2018	2019	2020	2021	
Current Assets		2,198,868	2,212,399	2,395,518	2,801,686	4,130,242	-
Property, plant and equipment		415,554	346,971	295,788	271,270	351,627	-
Intangible Assets		2,515	1,231	2,752	2,218	2,338	-
Other assets		9,982,980	8,889,277	9,182,173	9,401,918	9,832,508	-
Total Assets		12,599,917	11,449,878	11,876,231	12,477,092	14,316,715	-
Current liabilities	Before distribution	2,847,746	2,525,695	2,327,609	2,768,383	3,639,408	-
	After distribution	3,965,733	2,779,987	2,627,650	3,068,424	3,939,449	-
Non-current liabilities		550,005	551,891	844,230	621,345	666,189	-
Total Liabilities	Before distribution	3,397,751	3,077,586	3,171,839	3,389,728	4,305,597	-
	After distribution	4,515,738	3,331,878	3,471,880	3,689,769	4,605,638	-
Capital	Stock	3,000,413	3,000,413	3,000,413	3,000,413	3,000,413	-
Capital	Surplus	2,646	5,957	6,916	7,911	8,928	-
Retained Earnings	Before distribution	3,033,065	2,205,946	2,339,776	2,418,420	2,563,285	-
	After distribution	1,915,078	1,951,654	2,039,735	2,118,379	2,263,244	-
Other Equity		3,179,216	3,173,150	3,370,461	3,673,794	4,451,666	-
Treasury Stock		(13,174)	(13,174)	(13,174)	(13,174)	(13,174)	-

TOTAL EQUITY	Before distribu tion	9,202,166	8,372,292	8,704,392	9,087,364	10,011,118	-
	After distribu tion	8,084,179	8,118,000	8,404,351	8,787,323	9,711,077	-

Note 1: The above annual financial information has been audited and signed by the CPAs.

Note 2: No financial report reviewed by CPAs in the first quarter of 2022.

**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 (Note1)					Financial Data in the Current Year up to Financial Information as of March 31, 2022 (Note 2)
	2017	2018	2019	2020	2021	
Operating Revenue	1,351,910	1,462,323	1,891,666	1,946,096	2,552,849	-
Gross Profit	244,688	324,285	466,750	490,775	580,255	-
Operating Profit (Loss)	(140,642)	(81,953)	17,579	69,776	119,244	-
Non-operating Income and Expenses	1,371,986	354,650	346,809	306,325	347,600	-
Net profit before tax	1,231,344	272,697	364,388	376,101	466,844	-
Net income (loss) from continuing operations Current net profit	1,242,208	282,546	387,431	365,025	450,887	-
Loss from Discontinued Operations	-	-	-	-	-	-
Net profit or loss for this period	1,242,208	282,546	387,431	365,025	450,887	-
Other comprehensive income for the period (after tax)	288,760	8,309	198,002	325,057	771,891	-
Total Comprehensive Income for the period	1,530,968	290,855	585,433	690,082	1,222,778	-
Earnings per Share (EPS)	4.15	0.94	1.29	1.22	1.51	-

Note 1: The above annual financial information has been audited and signed by the CPAs.

Note 2: no financial report reviewed by CPAs in the first quarter of 2022.

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

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
2017	Deloitte & Touche Hui-Ming Chen, 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 31, 2022 (Note 2)
		2017	2018	2019	2020	2021	
Financial Structure (%)	Debt ratio	32.83	31.28	32.35	33.08	37.95	-
	Ratio of long-term capital to property, plant, and equipment	1982.05	1647.06	3115.42	3124.38	2640.70	-
Solvency (%)	Current ratio	100.39	72.34	81.00	81.88	97.65	-
	Quick ratio	87.61	55.86	62.69	67.37	79.32	-
	Interest coverage ratio	46.22	13.18	14.45	15.14	18.10	-
Operating ability	Average collection turnover (times)	7.37	7.93	10.56	7.95	7.22	-
	Average days for cash receipts	49.51	46.02	34.56	45.91	50.55	-
	Average inventory turnover (times)	2.08	2.03	2.41	2.32	2.56	-
	Average payables turnover (times)	7.12	6.73	8.28	8.45	6.98	-
	Average days for sale of goods	175.48	179.80	151.45	157.33	142.57	-
	Property, plant, and equipment turnover rate (times)	2.99	2.99	4.72	6.71	7.44	-
	Total assets turnover (times)	0.11	0.12	0.17	0.16	0.19	-
Profitability	Return on assets (%)	9.63	2.28	3.19	2.92	3.19	-

	Return on equity (%)	14.40	3.16	4.42	4.09	4.72	-
	Profit margin ratio (%)	82.83	17.37	18.18	16.96	16.40	-
	Earnings per share (NTD)	4.15	0.94	1.29	1.22	1.51	-
Cash flows	Cash flow ratio (%)	-	5.57	4.84	4.16	-	-
	Cash flow adequacy ratio (%)	-	3.43	5.38	14.67	5.75	-
	Cash flow reinvestment ratio (%)	-	-	-	-	-	-
Leverage	Operating leverage	-	-	7.67	5.28	5.13	-
	Financial leverage	-	-	1.33	1.21	1.17	-
<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>							

Note1: The above annual financial information has been audited and signed by the CPAs.

Note 2: No financial report reviewed by CPAs in the first quarter of 2022.

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>Year</div> <div>Analysis Item</div>		Financial Analysis for the Most Recent Five Years					Financial Data in the Current Year up to March 31 2022 (Note 2)
		2017	2018	2019	2020	2021	
Financial Structure (%)	Debt ratio	26.97	26.88	26.71	27.17	30.07	-
	Ratio of long-term capital to property, plant, and equipment	2346.79	2572.03	3228.20	3578.98	3036.54	-
Solvency (%)	Current ratio	77.21	87.60	102.92	101.20	113.49	-
	Quick ratio	60.98	68.69	79.79	83.04	88.35	-
	Interest coverage ratio	54.09	15.11	18.53	18.78	22.81	-
Operating ability	Average collection turnover (times)	6.77	7.22	9.52	7.17	6.71	-
	Average days for cash receipts	53.90	50.55	38.36	50.90	54.40	-
	Average inventory turnover (times)	2.08	2.03	2.43	2.35	2.61	-
	Average payables turnover (times)	7.59	7.69	8.98	8.46	6.76	-
	Average days for sale of goods	175.48	179.80	150.21	155.32	139.85	-
	Property, plant, and equipment turnover rate (times)	3.05	3.84	5.89	6.86	8.20	-
	Total assets turnover (times)	0.11	0.12	0.16	0.16	0.19	-
Profitability	Return on assets (%)	10.62	2.48	3.46	3.14	3.49	-
	Return on equity (%)	14.61	3.22	4.54	4.10	4.72	-
	Profit margin ratio (%)	91.89	19.32	20.48	18.76	17.66	-

	Earnings per share (NTD)	4.15	0.94	1.29	1.22	1.51	-
Cash flows	Cash flow ratio (%)	-	2.20	3.28	2.65	1.00	-
	Cash flow adequacy ratio (%)	-	-	1.76	5.60	3.75	-
	Cash flow reinvestment ratio (%)	-	-	-	-	-	-
Leverage	Operating leverage	-	-	42.19	10.47	7.37	-
	Financial leverage	-	-	-	1.44	1.22	-

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 decrease in the turnover rate of accounts payable is mainly due to the increase in average accounts payable.
3. The decrease of cash flow ratio is mainly due to the decrease of inflow of net cash flow from operating activities.
4. The decrease of cash flow ratio is mainly due to the decrease of inflow of net cash flow from operating activities and increasing inventory.
5. The decrease in operating leverage is mainly due to the increase in variable operating costs and expenses.

Note 1: The above annual financial information has been audited and signed by the CPAs.

Note 2: No financial report reviewed by CPAs in the first quarter of 2022.

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 = $\left[\text{Profit or loss after tax} + \text{Interest expenses} \times (1 - \text{Tax rate}) \right] \div \text{Average total assets}.$
 - (2) Return on Equity (ROE) = Net income (loss)/Average total equity.
 - (3) Net margin = Net income (loss) / Net sales.
 - (4) Earnings per share = $(\text{Net profits after tax} - \text{Preferred shares dividends}) \div \text{Weighted average number of shares issued}.$
- 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 = $(\text{Net cash flows from operating} - \text{cash dividends}) / (\text{Gross amount of property, plant, and equipment} + \text{Long term investment} + \text{Other non-current assets} + \text{Working capital}).$
- 6. Degree of leverage:
 - (1) Operating leverage = $(\text{Net operating revenue} - \text{Variable operating costs \& expenses}) \div \text{Operating income}.$
 - (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, earnings distribution proposal and other reports for the year of 2021, 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 2022 Annual Shareholders' Meeting

Convener of the Audit Committee: David Ching

March 21, 2022

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, 2021 and 2020; 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, 2021 and 2020, 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, 2021 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, 2021 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 4(14) 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, 2021 and 2020, 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, 2021. 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 21, 2022

Shinkong Textile Co., Ltd. and Subsidiaries

Consolidated Balance Sheets

DECEMBER 31, 2021 and 2020

(In Thousands of New Taiwan Dollars)

Code	Assets	December 31, 2021		December 31, 2020	
		Amount	%	Amount	%
	Current assets				
1100	Cash and cash equivalents (Note 6, 33 and 34)	\$ 1,409,594	9	\$ 594,798	4
1110	Financial assets at fair value through profit or loss (Note 7, 33, and 34)	172,462	1	187,529	2
1120	Financial assets at fair value through other comprehensive income - current (Note 8 and 33)	1,770,277	11	1,245,718	9
1150	Notes receivable (Notes 10 and 34)	29,684	-	7,195	-
1170	Accounts receivable (Note 10)	356,824	2	284,094	2
1180	Accounts receivable - related parties, net (Note 10 and 34)	43,253	-	37,203	-
1200	Other receivables	19,925	-	9,659	-
1210	Other receivables - related parties (Note 34)	4	-	1	-
1220	Current tax assets (Note 27)	139,795	1	848	-
130X	Inventories (Note 11)	778,609	5	452,093	3
1410	Prepayments (Note 19 and 34)	160,467	1	60,429	1
1460	Other non-current assets held for sale (Note 12)	118,922	1	-	-
1470	Other current assets (Note 19)	3,073	-	12,331	-
11XX	Total current assets	<u>5,002,889</u>	<u>31</u>	<u>2,891,898</u>	<u>21</u>
	Non-current assets				
1517	Financial assets at fair value through other comprehensive income - non-current (Notes 8, 33, 34 and 35)	4,649,708	29	4,259,032	31
1535	Financial assets at amortized cost - non-current (Notes 9, 33, 34 and 35)	1,800	-	1,800	-
1550	Investments accounted for using the equity method (Note 14)	705,251	4	695,686	5
1600	Property, plant and equipment (Notes 15 and 31)	417,013	3	321,571	3
1755	Right-of-use assets (Note 16)	150,762	1	106,078	1
1760	Investment properties (Notes 17 and 35)	5,023,510	31	5,093,701	38
1780	Other intangible assets (Note 18)	2,457	-	2,368	-
1840	Deferred tax assets (Notes 27)	28,931	-	42,799	-
1990	Other non-current assets (Note 17 and 34)	152,804	1	164,195	1
15XX	Total non-current assets	<u>11,132,236</u>	<u>69</u>	<u>10,687,230</u>	<u>79</u>
1XXX	TOTAL ASSETS	<u>\$ 16,135,125</u>	<u>100</u>	<u>\$ 13,579,128</u>	<u>100</u>
Code	Liabilities and equity				
	Current liabilities				
2100	Short-term borrowings (Notes 20 and 35)	\$ 2,480,000	16	\$ 2,003,500	15
2110	Short-term notes payable (Note 20)	1,178,598	7	948,687	7
2130	Contract liabilities - current (Note 25 and 34)	26,043	-	49,987	-
2150	Notes payable (Note 21)	257,405	2	99,440	1
2160	Notes payable - related parties (Notes 21 and 34)	38,720	-	12,229	-
2170	Accounts payable (Note 21)	97,448	1	58,767	1
2180	Accounts payable - related parties (Note 21 and 34)	6,724	-	529	-
2219	Other payables (Note 22)	130,552	1	93,039	1
2220	Other payables - related parties (Note 22 and 34)	1,186	-	1,231	-
2230	Current tax liabilities (Note 27)	16,728	-	28,980	-
2280	Lease liabilities - current (Note 16, 31 and 34)	49,764	-	42,911	-
2320	Current portion of long-term borrowings (Note 20)	-	-	190,000	1
2399	Other current liabilities (Note 22)	839,876	5	2,718	-
21XX	Total current liabilities	<u>5,123,044</u>	<u>32</u>	<u>3,532,018</u>	<u>26</u>
	Non-current liabilities				
2570	Deferred tax liabilities (Notes 27)	767,723	5	765,872	6
2580	Lease liabilities - non-current (Note 16, 31 and 34)	105,243	-	64,766	-
2670	Other non-current liabilities (Note 22 and 34)	127,997	1	129,104	1
25XX	Total non-current liabilities	<u>1,000,963</u>	<u>6</u>	<u>959,742</u>	<u>7</u>
2XXX	Total liabilities	<u>6,124,007</u>	<u>38</u>	<u>4,491,760</u>	<u>33</u>
	Equity attributable to owners of the company (Note 24)				
	Share Capital				
3110	Common shares	<u>3,000,413</u>	<u>19</u>	<u>3,000,413</u>	<u>22</u>
3200	Capital surplus	<u>8,928</u>	<u>-</u>	<u>7,911</u>	<u>-</u>
	Retained earnings				
3310	Legal reserve	497,780	3	459,911	3
3320	Special reserve	1,006,548	6	1,006,548	8
3350	Unappropriated earnings	<u>1,058,957</u>	<u>7</u>	<u>951,961</u>	<u>7</u>
3300	Total retained earnings	<u>2,563,285</u>	<u>16</u>	<u>2,418,420</u>	<u>18</u>
	Other equity				
3410	Exchange differences on translating the financial statements of foreign operations	(6,638)	-	(5,019)	-
3420	Unrealized gains (losses) on financial assets at fair value through other comprehensive income	<u>4,458,304</u>	<u>27</u>	<u>3,678,813</u>	<u>27</u>
3400	Total other equity	<u>4,451,666</u>	<u>27</u>	<u>3,673,794</u>	<u>27</u>
3500	Treasury share	(13,174)	-	(13,174)	-
31XX	Total equity attributable to owners of the Company	<u>10,011,118</u>	<u>62</u>	<u>9,087,364</u>	<u>67</u>
36XX	Non-controlling Interests	<u>-</u>	<u>-</u>	<u>4</u>	<u>-</u>
3XXX	Total equity	<u>10,011,118</u>	<u>62</u>	<u>9,087,368</u>	<u>67</u>
	TOTAL LIABILITIES AND EQUITY	<u>\$ 16,135,125</u>	<u>100</u>	<u>\$ 13,579,128</u>	<u>100</u>

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

Chairman: Hsin-En Wu

President: Hsin-En Wu

Accounting Manager: Su-Juan Ke

Shinkong Textile Co., Ltd. and Subsidiaries
Consolidated Statements of Comprehensive Income
January 1 to March 31, 2021 and 2020

Unit: In Thousands of NT\$, provided that
Earnings per share are in NT\$

Code		2021		2020	
		Amount	%	Amount	%
	Operating revenue (Note 25 and 34)				
4110	Sales revenue	\$ 2,397,995	87	\$ 1,792,301	83
4300	Rental revenue	350,315	13	355,916	17
4800	Other operating revenue	<u>604</u>	<u>-</u>	<u>996</u>	<u>-</u>
4000	Total operating revenue	<u>2,748,914</u>	<u>100</u>	<u>2,149,213</u>	<u>100</u>
	Operating costs (Notes 11, 26 and 34)				
5110	Cost of goods sold	(1,927,419)	(70)	(1,411,442)	(66)
5300	Rental costs	(<u>92,600</u>)	(<u>4</u>)	(<u>114,649</u>)	(<u>5</u>)
5000	Total operating costs	(<u>2,020,019</u>)	(<u>74</u>)	(<u>1,526,091</u>)	(<u>71</u>)
5900	Gross Profit	<u>728,895</u>	<u>26</u>	<u>623,122</u>	<u>29</u>
	Operating expenses (Notes 26 and 34)				
6100	Selling and marketing	(380,347)	(14)	(337,249)	(16)
6200	General and administrative	(121,886)	(4)	(97,970)	(5)
6300	Research and development	(25,941)	(1)	(23,704)	(1)
6450	Expected credit gain	(<u>497</u>)	<u>-</u>	(<u>650</u>)	<u>-</u>
6000	Total operating expenses	(<u>528,671</u>)	(<u>19</u>)	(<u>459,573</u>)	(<u>22</u>)
6500	Other operating income and expenses	<u>-</u>	<u>-</u>	(<u>102</u>)	<u>-</u>
6900	Profit from operations	<u>200,224</u>	<u>7</u>	<u>163,447</u>	<u>7</u>
	NON-OPERATING INCOME AND EXPENSES (Note 26 and 34)				
7100	Interest income	475	-	1,977	-
7010	Other income	286,643	10	245,295	12
7020	Other gains and losses	(19,911)	(1)	(36,442)	(2)
7050	Finance costs	(28,371)	(1)	(27,997)	(1)

7060	Share of profit or loss of associates and joint ventures accounted for using the equity method	<u>46,013</u>	<u>2</u>	<u>49,676</u>	<u>2</u>
7000	Total non-operating income and expenses	<u>284,849</u>	<u>10</u>	<u>232,509</u>	<u>11</u>

(Continued on the next page)

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Code		2021		2020	
		Amount	%	Amount	%
7900	Income before income tax	485,073	17	395,956	18
7950	Income tax expense (Note 27)	(34,190)	(1)	(31,464)	(1)
8200	Net income	450,883	16	364,492	17
8310	Other comprehensive income Items that will not be reclassified subsequently to profit or loss:				
8311	Remeasurement of defined benefit plans	(5,991)	-	3,110	-
8316	Unrealized gains (losses) on investments in equity instruments at fair value through other comprehensive income	801,363	29	319,869	15
8320	Share of other comprehensive income of associates and joint ventures accounted for using the equity method	(21,862)	(1)	5,681	-
8360	Items that may be reclassified subsequently to profit or loss:				
8361	Exchange differences on translating the financial statements of foreign operations	(80)	-	(27)	-

8370	Share of other comprehensive income of associates and joint ventures accounted for using the equity method	(1,555)	-	(3,584)	-
8399	Income tax relating to items that may be reclassified subsequently to profit or loss	<u>16</u>	<u>-</u>	<u>5</u>	<u>-</u>
8300	Other comprehensive income or loss (net value after tax) in this period	<u>771,891</u>	<u>28</u>	<u>325,054</u>	<u>15</u>
8500	Total comprehensive income	<u>\$ 1,222,774</u>	<u>44</u>	<u>\$ 689,546</u>	<u>32</u>
	Net income attributable to:				
8610	Owners of the Company	\$ 450,887	16	\$ 365,025	17
8620	Non-controlling Interests	(<u>4</u>)	<u>-</u>	(<u>533</u>)	<u>-</u>
8600		<u>\$ 450,883</u>	<u>16</u>	<u>\$ 364,492</u>	<u>17</u>
	Total comprehensive income attributable to:				
8710	Owners of the Company	\$ 1,222,778	44	\$ 690,082	32

(Continued on the next page)

(Continued from the previous page)

Code		2021		2020	
		Amount	%	Amount	%
8720	Non-controlling Interests	(<u>4</u>)	<u>-</u>	(<u>536</u>)	<u>-</u>
8700		<u>\$ 1,222,774</u>	<u>44</u>	<u>\$ 689,546</u>	<u>32</u>
	Earnings per share (Note 28)				
9710	Basic	<u>\$ 1.51</u>		<u>\$ 1.22</u>	
9810	Diluted	<u>\$ 1.51</u>		<u>\$ 1.22</u>	

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

Chairman: Hsin-En Wu President: Hsin-En Wu Accounting Manager: Su-Juan Ke

Shinkong Textile Co., Ltd. and Subsidiaries
Consolidated Statements of Changes in Equity
January 1 to March 31, 2021 and 2020

(In Thousands of New Taiwan Dollars)

		Equity Attributable to Owners of the Company								Other equity					
		Share capital		Retained earnings						Exchange Difference on translating the financial statements of foreign operations	Unrealized gains (losses) on financial assets at fair value through other comprehensive income				
Code		Number of Shares (In Thousand Shares)	Amount	Capital surplus	Legal reserve	Special reserve	Unappropriated earnings					Treasury share	Total	Non-controlling Interests	Total Equity
A1	Balance at January 1, 2020	300,041	\$ 3,000,413	\$ 6,916	\$ 421,099	\$ 1,006,548	\$ 912,129		(\$ 1,416)	\$ 3,371,877		(\$ 13,174)	\$ 8,704,392	\$ 34,756	\$ 8,739,148
	Appropriation and distribution of earnings for 2019:														
B1	Legal reserve	-	-	-	38,812	-	(38,812)		-	-	-	-	-	-	-
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
M5	Acquisition of partial interests in subsidiaries (Note 30)	-	-	-	-	-	(8,064)		-	-	-	-	(8,064)	8,064	-
T1	Dividends not collected before the designated date	-	-	191	-	-	-		-	-	-	-	191	-	191
Q1	Disposal of investments in equity instruments at fair value through other comprehensive income	-	-	-	-	-	18,614		-	(18,614)	-	-	-	-	-
D1	Net income in 2020	-	-	-	-	-	365,025		-	-	-	-	365,025	(533)	364,492
D3	Other comprehensive income in 2020, net of tax	-	-	-	-	-	3,110		(3,603)	325,550	-	-	325,057	(3)	325,054
D5	Total comprehensive income in 2020	-	-	-	-	-	368,135		(3,603)	325,550	-	-	690,082	(536)	689,546
O1	Decrease in non-controlling interests	-	-	-	-	-	-		-	-	-	-	-	(42,280)	(42,280)
Z1	Balance at December 31, 2020	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 of 2020 earnings														
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	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	(<u>5,991</u>)	(<u>1,619</u>)	<u>779,501</u>	<u>-</u>	<u>771,891</u>	<u>-</u>	<u>771,891</u>
D5	Total comprehensive income in 2021	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>444,896</u>	(<u>1,619</u>)	<u>779,501</u>	<u>-</u>	<u>1,222,778</u>	(<u>4</u>)	<u>1,222,774</u>
Z1	Balance at December 31, 2021	<u><u>300,041</u></u>	<u><u>\$ 3,000,413</u></u>	<u><u>\$ 8,928</u></u>	<u><u>\$ 497,780</u></u>	<u><u>\$ 1,006,548</u></u>	<u><u>\$ 1,058,957</u></u>	(<u><u>\$ 6,638</u></u>)	<u><u>\$ 4,458,304</u></u>	(<u><u>\$ 13,174</u></u>)	<u><u>\$ 10,011,118</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 10,011,118</u></u>

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

Chairman: Hsin-En Wu President: Hsin-En Wu Accounting Manager: Su-Juan Ke

Shinkong Textile Co., Ltd. and Subsidiaries

Consolidated Statements of Cash Flows

January 1 to March 31, 2021 and 2020

(In Thousands of New Taiwan Dollars)

Code		2021	2020
	Cash flows from operating activities		
A10000	Income before income tax	\$ 485,073	\$ 395,956
A20010	Adjustments:		
A20100	Depreciation	126,485	139,050
A20200	Amortization	1,883	1,570
A20300	Expected credit losses	497	650
A20400	Net (gain) loss on fair value change of financial assets and liabilities as at FVTPL	(12,012)	4,275
A20900	Finance costs	28,371	27,997
A21200	Interest income	(475)	(1,977)
A21300	Dividend income	(281,990)	(235,190)
A22300	Share of profit or loss of associates accounted for using the equity method	(46,013)	(49,676)
A22500	Loss (gain) on disposal of property, plant and equipment	4,898	(150)
A23700	Write-downs of inventories	-	20,489
A23800	Gain from price recovery of inventories	(21,024)	-
A24500	Dividends not collected before the designated date reclassified to capital surplus	213	191
A22900	Gains (losses) on lease modification	(2)	98
A30000	Changes in operating assets and liabilities, net		
A31130	Notes receivable	(22,489)	(313)
A31150	Accounts receivable	(79,277)	(119,413)
A31180	Other receivables	(10,269)	275
A31200	INVENTORIES	(305,492)	15,307
A31230	Prepayments	(38)	(836)
A31240	Other current assets	9,258	(10,956)
A31990	Other Non-Current Assets	(5,110)	-
A32125	Contract liabilities	(23,944)	11,948
A32130	Notes payable	184,456	8,952
A32150	Accounts payable	44,876	(1,132)
A32180	Other payables	36,532	201
A32230	Other current liabilities	21,859	520
A32240	Net defined benefit assets	(879)	(819)
A32990	Other non-current liabilities	17	-

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Code		2021	2020
A33000	Cash generated from operations	135,404	207,017
A33300	Interest paid	(28,249)	(28,575)
A33500	Income tax paid	(169,265)	(31,407)
AAAA	Net cash (outflow) inflow from operating activities	(62,110)	147,035
Cash flows from investing activities			
B00010	Acquisition of financial assets at fair value through other comprehensive income	(130,494)	(125,717)
B00020	Disposal of the financial assets at fair value through other comprehensive income	53	24,394
B00030	Proceeds from capital reduction of financial assets at fair value through other comprehensive income	16,569	28,257
B00050	Disposal of financial assets at amortized cost	-	2,250
B00100	Acquisition of financial assets at fair value through profit or loss	(71,182)	(176,587)
B00200	Proceeds from financial assets at fair value through profit or loss	98,986	90,341
B01800	Acquisition of long-term investment in shares accounted for using the equity method	(9,665)	(9,607)
B02000	Increase in prepayments for investments	(100,000)	-
B02700	Acquisition of property, plant, and equipment	(124,573)	(57,391)
B02800	Proceeds from disposal of property, plant, and equipment	1,548	150
B02800	Received prepayments for land	815,382	-
B03800	Decrease in refundable deposits	(5,847)	1,165
B04500	Acquisition of intangible assets	(1,972)	(966)
B05400	Acquisition of investment properties	(75,893)	-
B07100	Increase in prepayments for equipment	(12,640)	(39,349)
B07300	Prepaid for land	376	(17,469)
B07500	Interest received	475	1,977
B07600	Dividends received	281,990	235,190
B09900	Dividends received from associates	22,307	34,798
BBBB	Net cash provided by (used in) financing activities	705,420	(8,564)
Cash flows from financing activities			
C00100	Proceeds from short-term borrowings	476,500	-
C00200	Decrease in short-term borrowings	-	(3,000)
C00500	Increase in short-term bills payable	230,000	310,000
C01700	Repayments of long-term borrowings	(190,000)	-
C03100	Refund of guarantee deposits received	(1,124)	(805)

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<u>Code</u>		<u>2021</u>	<u>2020</u>
C04020	Repayment of the principal portion of lease liabilities	(44,573)	(43,789)
C04500	Dividends paid to owners of the Company	(299,237)	(299,237)
C05800	Changes in non-controlling interests	<u>-</u>	(<u>42,280</u>)
CCCC	Net cash provided by (used in) financing activities	<u>171,566</u>	(<u>79,111</u>)
DDDD	Effects of exchange rate changes on cash and cash equivalent	(<u>80</u>)	(<u>27</u>)
EEEE	Net increase in cash and cash equivalents	814,796	59,333
E00100	Cash and cash equivalents at beginning of year	<u>594,798</u>	<u>535,465</u>
E00200	Cash and cash equivalents at end of year	<u>\$ 1,409,594</u>	<u>\$ 594,798</u>

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

Chairman: Hsin-En Wu President: Hsin-En Wu Accounting Manager: Su-Juan Ke

Shinkong Textile Co., Ltd. and Subsidiaries
Notes to Consolidated Financial Statements
January 1 to March 31, 2021 and 2020
(Amounts in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

I. General Information

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 cotton yarn, CVC yarn, 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 New Taiwan Dollars, which is the Company's functional currency.

II. Date and Procedures of Authorization of Financial Statements

The financial statements of the consolidated Company were approved and authorized for issue in the Board of Directors' meeting on March 21, 2022.

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 Group:

COVID-19 related rent concessions (amendment to IFRS 16) and COVID-19-related Rent Concessions beyond June 30, 2021

The Consolidated Company applies to the equity method and negotiates COVID-19-related rent concessions with the lessor. Related accounting policy refers to Note IV. Before amendment is applied. The consolidated company shall decide whether the rent negotiation previously mentioned applies to the lease amendment.

The consolidated company applies to such amendment from Jan 1, 2021.

(II) Adoption of IFRSs endorsed by the FSC from 2022 onward

New/Revised/Amended Standards and Interpretations	Effective Date Announced by International Accounting Standards Board (IASB)
Annual Improvements to IFRSs 2018-2020	January 1, 2022 (Note 1)
Amendments to IFRS 3 "Reference to the Conceptual Framework"	January 1, 2022 (Note 2)
Amendments to IAS 16 "Property, Plant and Equipment: Proceeds before Intended Use"	January 1, 2022 (Note 3)
Amendments to IAS 37 "Onerous Contracts - Cost of Fulfilling a Contract"	January 1, 2022 (Note 4)

Note 1: The amendments to IFRS 9 apply to the exchanges of financial liabilities or the alterations in its terms that occur during the annual reporting periods beginning on or after January 1, 2022. The amendments to IAS 41 "Agriculture" apply to the fair value measurements during the annual reporting periods beginning on or after January 1, 2022. The amendments to IFRS 1 "First-time Adoptions of IFRSs" apply retrospectively for annual reporting periods beginning on or after January 1, 2022.

Note 2: The amendments apply to business combinations with acquisition dates in annual reporting periods beginning on or after January 1, 2022.

Note 3: The amendments apply to property, plant and equipment that arrived at the location and achieved the condition required for their operating method expected by the management on or after January 1, 2021.

Note 4: The amendments apply to contracts with unfulfilled obligations on or after January 1, 2022.

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

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

New/Revised/Amended Standards and Interpretations	Effective Date Issued by IASB (Note 1)
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be decided
IFRS 17 "Insurance Contracts"	January 1, 2023
Amendments to IFRS 17	January 1, 2023

New/Revised/Amended Standards and Interpretations	Effective Date Issued by IASB (Note 1)
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, 2023
Amendments to IAS 1 "Disclosure Initiative - Accounting Policies"	January 1, 2023 (Note 2)
Amendments to IAS 8 "Definition of Accounting Estimates"	January 1, 2023 (Note 3)
Amendments to IAS 12 "Deferred Tax related to Assets and Liabilities Arising from Single Transaction"	January 1, 2023 (Note 4)

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

Note 2: The amendments apply prospectively to annual reporting periods beginning on or after January 1, 2023.

Note 3: The amendments apply to changes in accounting estimates and accounting policies on or after January 1, 2023.

Note 4: The amendments are 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 financial statements, the Group 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.

V. 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 into three levels 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., derived from prices); and
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 for trading purposes;
2. Assets expected to be realized within 12 months after the balance sheet date; and
3. Cash and 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 incurred 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) Consolidated basis

The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company (i.e., its 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 Group. All transactions, balances, income and expenses between entities within the Group are eliminated in full upon consolidation. A subsidiary's total comprehensive income 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 Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions.

The carrying amounts of the Group 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 5 and 6.

(V) Foreign Currency

In preparation for individual financial statements, transactions in currencies other than the entity's functional currency (i.e., foreign currencies) are converted into functional currency at the rates of exchange prevailing at the dates of the transactions.

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 income, where the resulting exchange difference is recognized in other comprehensive income.

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 preparing the consolidated financial statements, the assets and liabilities of foreign operations (including foreign subsidiaries or subsidiaries using a currency different from the Corporation's) are translated into New Taiwan dollars 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 income (and attributed to owners of the Company and non-controlling interests respectively).

On the disposal 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 include raw materials, supplies, finished goods, work-in-progress and stock in hand. 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 Group has significant influence other than a subsidiary or a joint venture.

The Group 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 Group's share of profit or loss and other comprehensive income and profit distribution of the associates. In addition, changes in the Group's share of associates' equity are recognized in proportion to its shareholding ratio.

Any excess of the cost of acquisition over the Group'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 Group'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 Group 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.

When the Group's share of losses of an associate equals or exceeds its interest in that associate (including any carrying amount of the investment accounted for using the equity method and long-term interests that, in substance, form part of the Group's net investment in the associate), the Group shall cease recognition of further losses. Additional losses and liabilities are recognized only to the extent that the Group has incurred legal obligations, or constructive obligations, or made payments on behalf of said associates.

In the evaluation of impairment, the Group shall treat the total carrying amount (including goodwill) of the investment as a single asset to compare the recoverable amount with the carrying amount and conduct impairment test. The recognized impairment loss shall not be apportioned to any asset, including goodwill, which forms part of the carrying amount of the investment. Reversal of the impairment loss is recognized to the extent of subsequent increases in the recoverable amount of investment.

The Group 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 income 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 Group continues to apply the equity method and does not remeasure the retained interest.

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

(VIII) Property, plant and equipment

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 classified into the appropriate categories of PP&E and depreciated when they are completed and ready for their intended use.

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.

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 properties, 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 Group 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 aforementioned rules. Then, impairment loss from the assets related to the contract costs is recognized to the extent that the carrying amount of the assets exceeds the remaining amount of consideration that the Group expects to receive in exchange for related goods or services less the costs which relate directly to providing those goods or

services. The carrying amount of assets related to the contract costs are then included in the CGU to which they belong for the purpose of evaluating the CGU' impairment.

When the impairment loss is subsequently reversed, the carrying amount of the asset or cash-generating unit or the contract cost-related assets shall increase to the revised recoverable amount. Still, the increased carrying amount shall not exceed the carrying amount (less amortization or depreciation) of the asset, cash-generating unit, or the contract cost-related assets without impairment loss recognized in the previous year. A reversal of an impairment loss is recognized in profit or loss.

(XII) Non-current assets held for sale

Non-current assets are classified as held for sale if their carrying amounts are expected to be recovered mainly through sale rather than continuous usage. Non-current assets qualified for such classification must be available for immediate sale in their present condition and its sale must be highly probable. A sale is considered highly probable if management at an appropriate level commits to a plan to sell and such sale is expected to be completed within 12 months after the classification date.

(XIII) Financial instruments

Financial assets and financial liabilities shall be recognized in the consolidated balance sheets when the Group 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) Measurement Types

Financial assets held by the Group 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 income.

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 income, 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 income.

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 33 for the determination of fair value.

B. Financial Assets at Amortized Cost

When the Group'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 contractual terms give rise to cash flows on specified dates that are solely payments of principal and interest on the principal amount 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 income

The Group 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 income.

Investments in equity instruments at fair value through other comprehensive income are measured at fair value, and any subsequent fair value changes are recognized in other comprehensive income 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 income are recognized in profit or loss when the Group'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

On each balance sheet date, the consolidated company assesses the impairment loss of financial assets at amortized cost (including trade receivable) according to the expected credit loss, debt instrument investment measured at fair value through other comprehensive income, lease receivables and contract assets.

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 Group, 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 repay the debt.
- B. It is more than 90 days overdue, unless there is reasonable and verifiable information to show that the deferred default basis 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 income where the impairment loss is recognized in other comprehensive income and the carrying amount is not reduced.

(3) Derecognition of Financial Assets

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

If the Group 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 Group 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 income in its entirety, the difference between the carrying amount and the consideration received plus the cumulative gain or loss already recognized in other comprehensive income is recognized in profit or loss. On derecognition of investments in equity instruments at fair value through other comprehensive income 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 Group 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 Group shall be recognized by the payment net of the direct cost of issuance.

The repurchase of the Company's own equity instruments is recognized in and deducted directly from equity. The purchase, sale, issuance, or cancellation of the Company's own equity instruments is not recognized in 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 a financial liability is de-recognized, the difference between its carrying amount and the paid consideration (including any transferred non-cash assets or liabilities assumed) shall be recognized in profit or loss.

(XIV). Revenue recognition

After the Group 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 Group 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 Group evaluates whether a contract is (or includes) a lease on the contract establishment date.

1. 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 Group 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. 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 shall be initially measured as the present value of 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 Group 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 negotiated with the Lessor about COVID-19-related rent concessions to reduce the rent which was due before June 30, 2022. Such negotiation has no major impact on other lease terms. The Consolidated Company adopts the equity method to account all rent negotiation that meet previous conditions. Whether such negotiation is lease amendment is not assessed. Instead, the rent concession is recognized as profit or loss when the concession event or situation occurs (the depreciation expense of right-of-use assets shall be recorded in the account), and the lease liabilities shall be correspondingly reduced.

(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 subsidy

Government grants are recognized only when they can be reasonably assured that the Group 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 Group recognizes the relevant costs that such grants are intended to compensate as expenses. Government grants that require the Group 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 Group 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. Benefits after retirement

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

The net defined benefit-cost of defined benefit retirement plan (including service cost, net interest, and remeasurement) is calculated by the expected unit benefit method. The service cost, including the current service cost, and the net interest of the net defined benefit liabilities (assets) are recognized as employee benefit expenses when incurred. Remeasurement (comprising actuarial gains and losses, and return on plan assets net of interests) is recognized in other comprehensive income and included in retained earnings, and is not recycled to profit or loss in subsequent periods.

Net defined benefit liabilities (assets) is the shortfall (surplus) for defined benefit pension plans. 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 the current income (loss) in accordance with the laws and regulations established by each income tax jurisdiction, and calculates the income tax payable (recoverable) based on it.

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 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 tax liabilities are generally recognized based on all taxable temporary differences. Deferred 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 Group 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 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 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 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 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 tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects to recover or settle the carrying amount of its assets and liabilities on the balance sheet date.

3. Current and deferred income tax

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

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

When the Group 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 takes into account the recent development of COVID-19 in Taiwan and its possible impact on the economic environment in the estimation of cash flow, growth rate, discount rate, profitability and other relevant significant accounting estimates, and the management will constantly review the estimations and underlying 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.

VI. Cash and cash equivalent

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Cash on hand and working capital	\$ 979	\$ 843
Checks and demand deposits in banks	<u>1,408,615</u>	<u>593,955</u>
	<u>\$ 1,409,594</u>	<u>\$ 594,798</u>

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

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Bank deposits	0.001%~0.2%	0.001%~0.3%

VII. Financial Instruments at Fair Value through Profit or Loss

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
<u>Financial assets - current</u>		
Designated as at fair value through profit or loss		
- Domestic stocks listed on TWSE or TPEX or emerging stocks	\$ 44,860	\$ 35,846
Mandatorily measured at fair value through profit		
- Beneficiary certificates	<u>127,602</u>	<u>151,683</u>
	<u>\$ 172,462</u>	<u>\$ 187,529</u>

VIII. Financial Assets at Fair Value through Other Comprehensive Income - Investments in Equity Instruments

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
<u>Current</u>		
Domestic Investment		
Stocks listed on TWSE or TPEX	<u>\$ 1,770,277</u>	<u>\$ 1,245,718</u>
<u>Non-current</u>		
Domestic Investment		
Stocks listed on TWSE or TPEX	\$ 2,977,433	\$ 2,519,913
Stocks unlisted on TWSE or TPEX	<u>1,672,275</u>	<u>1,739,119</u>
Sub-Total	<u>\$ 4,649,708</u>	<u>\$ 4,259,032</u>

The Group 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 income as they believed that recognizing short-term fluctuations in

these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes.

Please refer to Note 35 for details of investments in equity instruments at fair value through other comprehensive income pledged.

IX. Financial Assets at Amortized Cost

	<u>December 31, 2021</u>	<u>December 31, 2020</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, 2021 and 2020, the interest rate ranges of time deposits with original maturities over three months were 0.65% to 0.765% and 0.41% 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 35 for details of financial assets at amortized cost pledged.

X. Notes and accounts receivable

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
<u>Notes receivable</u>		
Measured at amortized cost		
Total carrying amount	\$ 29,684	\$ 7,195
Less: loss allowance	<u>-</u>	<u>-</u>
	<u>\$ 29,684</u>	<u>\$ 7,195</u>
<u>Accounts receivable</u>		
Measured at amortized cost		
Total carrying amount	\$ 358,126	\$ 285,758
Less: loss allowance	(<u>1,302</u>)	(<u>1,664</u>)
	<u>\$ 356,824</u>	<u>\$ 284,094</u>
Accounts receivable - related parties (Note 34)	<u>\$ 43,253</u>	<u>\$ 37,203</u>

Notes and accounts receivable

The Group 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 Group are financial institutions and companies with sound credit ratings. The Group 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 Group 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 Group'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.

In case the counterpart is under seriously financial difficulties and the losses are reasonably expected not be recovered by the Consolidated Company, the consolidated Company directly write off relevant account receivable. However, collection shall be continued.

The recovered amount shall be recognized as profits or losses.

Loss allowances for notes and accounts receivables based on the provision matrix are as follows:

December 31, 2021

	Billed 1~60 Days	Billed 61~120 Days	Billed 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
Allowance for loss (expected credit losses during the period)	(<u>56</u>)	(<u>324</u>)	(<u>255</u>)	(<u>667</u>)	(<u>1,302</u>)
Amortized cost	<u>\$ 379,434</u>	<u>\$ 24,757</u>	<u>\$ 23,308</u>	<u>\$ 2,262</u>	<u>\$ 429,761</u>

December 31, 2020

	Billed 1~60 Days	Billed 61~120 Days	Billed 121~180 Days	Billed over 180 Days	Total
ECL rate	0%~0.15%	2.17%~3.42%	4.85%~16.48%	11.94%~100%	
Total carrying amount	\$ 308,885	\$ 19,226	\$ 892	\$ 1,153	\$ 330,156
Allowance for loss (expected credit losses during the period)	(<u>157</u>)	(<u>402</u>)	(<u>62</u>)	(<u>1,043</u>)	(<u>1,664</u>)
Amortized cost	<u>\$ 308,728</u>	<u>\$ 18,824</u>	<u>\$ 830</u>	<u>\$ 110</u>	<u>\$ 328,492</u>

Changes in loss allowances for receivables are as follows:

	2021	2020
Beginning balance	\$ 1,664	\$ 1,014
Add: Impairment loss provided for in the year	497	650
Less: Actual write-off in the current year	(<u>859</u>)	-
Ending balance	<u>\$ 1,302</u>	<u>\$ 1,664</u>

XI. Inventories

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Finished goods	\$237,260	\$158,719
Work in progress	181,696	61,972
Raw materials	153,805	64,792
Merchandise inventories	<u>205,848</u>	<u>166,610</u>
	<u>\$778,609</u>	<u>\$452,093</u>

The cost of goods sold related to inventories for the years ended December 31, 2021 and 2020 was NT\$1,927,419 thousand and NT\$1,411,442 thousand respectively. The cost of goods sold for the years ended December 31, 2021 and 2020 included inventory gain from price recovery of NT\$21,024 thousand and falling price loss NT\$20,489 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, 2021</u>	<u>December 31, 2020</u>
Land to be sold	<u>\$ 118,922</u>	<u>\$ -</u>

Shin Kong Asset, a subsidiary of the consolidated company, signed a land sale contract with Shin Kong Wo Ho-Su Memorial Hospital, under Shin Kong Medical Foundation, on November 24, 2021. The investment real estate land on Yangming Section, Shilin District. The land was used by the Company previously. In case the investment real estate land is classified as non-current assets to be sold, no impairment loss will be recognized, and there is no impairment in 2021.

XIII. Subsidiaries

Subsidiaries included in the consolidated financial statements

Entities in the consolidated financial statements are listed as follows:

<u>Investor</u>	<u>Name of subsidiary</u>	<u>Nature of Business</u>	<u>Percentage of Ownership</u>		<u>Note</u>
			<u>December 31 2021</u>	<u>December 31 2020</u>	
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.	Investment.	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
Shanghai Xin Ying Trading Co., Ltd.	Shanghai Yong Yi Internet Technology Co., Ltd.	Development of specialized field in internet technology, technical service, technology transfer, technical consultation, internet business and e-commerce.	-	61%	4
Shinkong Asset Management Co., Ltd.	Xin Fu Development Co., Ltd.	Development, rental and sale of residential buildings and industrial plants The development of specific business zones.	100%	100%	5
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%	6

Investor	Name of subsidiary	Nature of Business	Percentage of Ownership		Note
			December 31 2021	December 31 2020	
Hua Yang Motor Co., Ltd.	One Full Co., Ltd.	Wholesale of culture, education, musical instruments and educational entertainment supplies, retail sale of cloths, garments, shoes, hats, umbrellas and clothing accessories, retail sale of furniture, bedding, kitchen utensils and fixtures, retail sale of daily commodities, retail sale of cleaning supplies, retail sale of cosmetics, retail sale of culture, education, musical instruments and educational entertainment supplies, retail sale of bicycles and parts, retail sale of jewelry and precious metals, retail sale without storefront, other integrated retail sale, international trade, warehousing, and tally packaging	100%	100%	7

Remark:

1. Shinkong Asset Management Co., Ltd. (hereinafter referred to as "Shinkong Asset") was established on September 6, 1990. It is a 100%-owned subsidiary of the Company.
2. SK INNOVATION (Samoa) Co., Ltd. (hereinafter referred to as "SK") was registered for its establishment in Samoa on March 15, 2012. It is a 100%-owned subsidiary of the Company and mainly engages in investment.
3. Shanghai Xin Ying Trading Co., Ltd. (hereinafter referred to as "Shanghai Xin Ying") was approved for establishment in Shanghai, People's Republic of China in July 2012 as a wholly foreign-owned enterprise. It is a 100%-owned subsidiary of SK with the ultimate parent company being the Company.
4. Shanghai Yong Yi Internet Technology Co., Ltd. (hereinafter referred to as "Shanghai Yong Yi") was approved for establishment in Shanghai, People's Republic of China in November 2018. It is a 61%-owned subsidiary of Shanghai Xin Ying with the ultimate parent company being the Company. Shanghai Yongyi Company completed the liquidation procedures in January 2021.
5. 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.
6. 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%.

7. 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, 2021</u>	<u>December 31, 2020</u>
<u>Associates that are individually material</u>		
Non-publicly traded company		
Lian Quan Investment Co., Ltd.	\$ 384,759	\$ 364,139
Shang De Motor Co., Ltd.	<u>278,104</u>	<u>264,006</u>
	<u>662,863</u>	<u>628,145</u>
<u>Associates that are not individually material</u>		
Non-publicly traded company		
WPI-High Street, LLC	<u>42,388</u>	<u>67,541</u>
	<u>\$ 705,251</u>	<u>\$ 695,686</u>

(I) Associates that are individually material

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

	<u>Percentage of Ownership Interest and Voting Rights</u>	
<u>Name of Company</u>	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Lian Quan Investment Co., Ltd.	48.89%	48.89%
Shang De Motor Co., Ltd.	33.50%	33.50%

Please refer to Table VI "Names, locations, and other information of investees" for the forementioned associates' nature of business, main business premises, and countries of registration.

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

All the aforementioned associates are accounted for using the equity method.

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.

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Current assets	\$ 9,067	\$ 10,482
Non-current assets	988,850	965,140
Current liabilities	(210,928)	(230,809)
EQUITY	<u>\$ 786,989</u>	<u>\$ 744,813</u>

Percentage of shares held by the consolidated entity	48.89%	48.89%
	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Interests of the consolidated entity	<u>\$ 384,759</u>	<u>\$ 364,139</u>
Carrying amount of investments	<u>\$ 384,759</u>	<u>\$ 364,139</u>
	<u>2021</u>	<u>2020</u>
Operating revenue	<u>\$ 22,428</u>	<u>\$ 22,365</u>
Net income	<u>\$ 18,465</u>	<u>\$ 18,453</u>
Other comprehensive income	<u>23,711</u>	<u>11,628</u>
Total comprehensive income	<u>\$ 42,176</u>	<u>\$ 30,081</u>

Shang De Motor Co., Ltd.

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Current assets	\$ 835,110	\$ 828,446
Non-current assets	496,513	538,542
Current liabilities	(741,851)	(878,988)
Non-current liabilities	(167,543)	(107,855)
EQUITY	<u>\$ 422,229</u>	<u>\$ 380,145</u>
Percentage of shares held by the consolidated entity	33.50%	33.50%
Interests of the consolidated entity	\$ 141,446	\$ 127,348
investment premium	<u>136,658</u>	<u>136,658</u>
Carrying amount of investments	<u>\$ 278,104</u>	<u>\$ 264,006</u>
	<u>2021</u>	<u>2020</u>
Operating revenue	<u>\$ 3,324,034</u>	<u>\$ 3,676,067</u>
Net income	<u>\$ 83,356</u>	<u>\$ 53,336</u>
Total comprehensive income	<u>\$ 83,356</u>	<u>\$ 53,336</u>

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

WPI-High Street, LLC

	<u>2021</u>	<u>2020</u>
The Group's share of:		
Net profit of continuing operations	\$ 9,061	\$ 22,786
Other comprehensive income	(35,398)	(4,483)
Total comprehensive income	<u>(\$ 26,337)</u>	<u>\$ 18,303</u>

XV. Property, plant and equipment

	Land	Buildings	Machinery and Equipment	Transportation Equipment	Hydropower Equipment	Miscellaneous Equipment	Lease Improvement	Construction in Progress	Total
<u>Costs</u>									
Balance as of 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
Disposal	-	(11,612)	(13,465)	(2,200)	-	(161)	(14,878)	-	(42,316)
Balance at December 31, 2021	\$ 92,452	\$ 262,113	\$ 583,097	\$ 8,805	\$ 124,845	\$ 133,088	\$ 20,686	\$ 62,553	\$ 1,287,639
<u>Accumulated depreciation and impairment</u>									
Balance as of January 1, 2021	\$ -	\$ 236,945	\$ 440,474	\$ 6,645	\$ 75,811	\$ 82,400	\$ 12,036	\$ -	\$ 854,311
Depreciation	-	1,804	27,160	938	4,678	9,269	8,336	-	52,185
Disposal	-	(11,612)	(7,422)	(1,797)	-	(161)	(14,878)	-	(35,870)
Balance at December 31, 2021	\$ -	\$ 227,137	\$ 460,212	\$ 5,786	\$ 80,489	\$ 91,508	\$ 5,494	\$ -	\$ 870,626
Net balance at December 31, 2021	\$ 92,452	\$ 34,976	\$ 122,885	\$ 3,019	\$ 44,356	\$ 41,580	\$ 15,192	\$ 62,553	\$ 417,013
<u>Costs</u>									
Balance at January 1, 2020	\$ 92,452	\$ 245,528	\$ 539,223	\$ 7,625	\$ 88,956	\$ 107,760	\$ 45,051	\$ 19,517	\$ 1,146,112
Additions	-	-	631	1,010	219	13,424	1,638	40,469	57,391
Reclassifications	-	-	11,141	-	1,300	3,553	2,328	(11,870)	6,452
Disposal	-	-	(229)	-	(680)	(945)	(32,220)	-	(34,074)
Net exchange difference	-	-	-	-	-	1	-	-	1
Balance at December 31, 2020	\$ 92,452	\$ 245,528	\$ 550,766	\$ 8,635	\$ 89,795	\$ 123,793	\$ 16,797	\$ 48,116	\$ 1,175,882
<u>Accumulated depreciation and impairment</u>									
Balance at January 1, 2020	\$ -	\$ 235,670	\$ 410,363	\$ 5,726	\$ 71,017	\$ 74,095	\$ 30,602	\$ -	\$ 827,473
Depreciation	-	1,275	30,340	919	5,474	9,249	13,654	-	60,911
Disposal	-	-	(229)	-	(680)	(945)	(32,220)	-	(34,074)
Net exchange difference	-	-	-	-	-	1	-	-	1
Balance at December 31, 2020	\$ -	\$ 236,945	\$ 440,474	\$ 6,645	\$ 75,811	\$ 82,400	\$ 12,036	\$ -	\$ 854,311
Net balance at December 31, 2020	\$ 92,452	\$ 8,583	\$ 110,292	\$ 1,990	\$ 13,984	\$ 41,393	\$ 4,761	\$ 48,116	\$ 321,571

Unrecognized or reversal on impairment loss in 2021 and 2020.

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

Building	
Main building of the plant	15~50 years
Others	3~10 years
Machinery and Equipment	1~15 years
Transportation Equipment	5~7 years
Hydropower Equipment	5~40 years
Miscellaneous Equipment	1~20 years
Lease Improvement	1~5 years

XVI. Lease Agreements

(I) Right-of-use assets

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Carrying amount of right-of-use assets		
Land	\$ 1,910	\$ 6,620
Building	144,925	96,051
Office equipment	804	702
Transportation Equipment	2,961	2,153
Other equipment	<u>162</u>	<u>552</u>
	<u>\$150,762</u>	<u>\$106,078</u>

	<u>2021</u>	<u>2020</u>
Additions to right-of-use assets	<u>\$ 114,840</u>	<u>\$ 5,278</u>
Disposal of right-of use assets	<u>\$ 262</u>	<u>\$ 6,576</u>
Depreciation of right-of-use assets		
Land	\$ 4,640	\$ 4,673
Building	39,813	36,187
Office equipment	341	297
Transportation Equipment	2,727	2,787
Other equipment	<u>390</u>	<u>389</u>
	<u>\$ 47,911</u>	<u>\$ 44,333</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 2021 and 2020.

(II) Lease liabilities

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Carrying amount of lease liabilities		
Current	<u>\$ 49,764</u>	<u>\$ 42,911</u>
Non-current	<u>\$105,243</u>	<u>\$ 64,766</u>

Discount rate ranges for lease liabilities are as follows:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Land	0.758%~1.010%	0.758%~1.010%
Building	0.946%~1.008%	0.952%~1.008%
Office equipment	0.934%~1.008%	0.981%~1.008%
Transportation Equipment	0.915%~1.010%	1.003%~1.008%
Other equipment	1.008%	1.008%

(III) Major lease activities and terms

The Group 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 Group 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 above rent concessions as the deduction for the operating costs - depreciation costs in 2021.

(IV) Other lease information

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

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Short-term lease expenses	<u>\$ 3,510</u>	<u>\$ 1,404</u>
Total cash (outflow) for leases	<u>(\$ 49,017)</u>	<u>(\$ 46,446)</u>

The Group 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>Costs</u>			
Balance as of January 1, 2021	\$ 4,466,477	\$ 1,350,963	\$ 5,817,440
Additions	75,893	-	75,893
Reclassifications	(118,922)	-	(118,922)
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 as of January 1, 2021	\$ -	\$ 723,739	\$ 723,739
Depreciation	-	27,162	27,162
Balance at December 31, 2021	<u>\$ -</u>	<u>\$ 750,901</u>	<u>\$ 750,901</u>
Net balance at December 31, 2021	<u>\$ 4,423,448</u>	<u>\$ 600,062</u>	<u>\$ 5,023,510</u>
<u>Costs</u>			
Balance at January 1, 2020	<u>\$ 4,466,477</u>	<u>\$ 1,350,963</u>	<u>\$ 5,817,440</u>
Balance at December 31, 2020	<u>\$ 4,466,477</u>	<u>\$ 1,350,963</u>	<u>\$ 5,817,440</u>
<u>Accumulated depreciation and impairment</u>			
Balance at January 1, 2020	\$ -	\$ 689,850	\$ 689,850
Depreciation	-	33,889	33,889
Balance at December 31, 2020	<u>\$ -</u>	<u>\$ 723,739</u>	<u>\$ 723,739</u>
Net balance at December 31, 2020	<u>\$ 4,466,477</u>	<u>\$ 627,224</u>	<u>\$ 5,093,701</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, 2021</u>	<u>December 31, 2020</u>
Year 1	\$ 311,273	\$ 289,839
Year 2	292,821	241,154
Year 3	205,744	223,014
Year 4	178,318	167,947
Year 5	145,727	153,599
Over 5 years	<u>1,175,474</u>	<u>1,134,659</u>
	<u>\$ 2,309,357</u>	<u>\$ 2,210,212</u>

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

Building	20~50 years
Renovation	4~20 years

The fair value of investment real estate as of the year ended on December 30, 2021 and 2020 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, 2021</u>	<u>December 31, 2020</u>
Fair value	<u>\$ 32,371,110</u>	<u>\$ 30,638,601</u>

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

The Group held freehold interests in all of its investment properties. Please refer to Note 35 for the amount of investment property pledged as collateral for borrowings.

XVIII. Other intangible assets

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

Net balance at December 31, 2021	<u>\$ 2,457</u>
<u>Costs</u>	
Balance at January 1, 2020	\$ 22,448
Additions	966
Reclassifications	220
Disposal	(18,328)
Balance at December 31, 2020	<u>\$ 5,306</u>
<u>Accumulated amortization and impairment</u>	
Balance at January 1, 2020	\$ 19,696
Amortization	1,570
Disposal	(18,328)
Balance at December 31, 2020	<u>\$ 2,938</u>
Net balance at December 31, 2020	<u>\$ 2,368</u>

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

Computer Software	2~5 years
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XIX. Other assets

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
<u>Current</u>		
Prepayments		
Prepaid expenses	\$ 15,300	\$ 16,410
Prepayments to suppliers	43,280	41,680
Prepayments for investments	100,000	-
Business tax paid and excess business tax paid	1,887	2,339
	<u>\$ 160,467</u>	<u>\$ 60,429</u>

The prepaid investment is 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, 2021</u>	<u>December 31, 2020</u>
Other Assets		
Other financial assets	\$ -	\$ 5,348
Others	<u>3,073</u>	<u>6,983</u>
	<u>\$ 3,073</u>	<u>\$ 12,331</u>
<u>Non-current</u>		
Refundable deposits	\$ 17,308	\$ 11,461
Net defined benefit assets (Note 23)	2,874	7,986
Prepayments for equipment	17,016	33,876
Prepaid for land	110,496	110,872
Others	<u>5,110</u>	<u>-</u>
	<u>\$152,804</u>	<u>\$164,195</u>

XX. Borrowings

(I) Short-term borrowings

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
<u>Secured borrowings</u> (Note 35)		
Bank borrowings	\$ 2,280,000	\$ 2,003,500
<u>Unsecured borrowings</u>		
Line of credit loans	<u>200,000</u>	<u>-</u>
	<u>\$ 2,480,000</u>	<u>\$ 2,003,500</u>

The ranges of interest rates on bank borrowings were 0.85% to 1.49% and 0.93% to 1.586% as of December, 31, 2021 and 2020 respectively.

(II) Short-term bills payable

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Commercial paper payable	\$ 1,180,000	\$ 950,000
Less: Discounts on short-term bills payable	(<u>1,402</u>)	(<u>1,313</u>)
	<u>\$ 1,178,598</u>	<u>\$ 948,687</u>

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

December 31, 2021

Guarantor/Accepting Institution	Nominal Amount	Discounted Amount	Carrying amount	Interest Rate	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 Corporation (I)	60,000	(62)	59,938	0.640%	None	None
Taiwan Finance Corporation (II)	70,000	(72)	69,928	0.640%	None	None
Taiwan Cooperative Bills (I)	130,000	(60)	129,940	0.790%	None	None
Taiwan Cooperative Bills (II)	30,000	(40)	29,960	0.790%	None	None
Guarantor/Accepting Institution	Nominal Amount	Discounted Amount	Carrying amount	Interest Rate	Collateral	Carrying Amount of Collateral
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
The Shanghai Commercial & Savings Bank, LTD. (I)	100,000	(41)	99,959	0.330%	None	None
The Shanghai Commercial & Savings Bank, LTD. (II)	180,000	(380)	179,620	0.320%	None	None
The Shanghai Commercial & Savings Bank, LTD. (iII)	20,000	(8)	19,992	0.330%	None	None
	<u>\$ 1,180,000</u>	<u>(\$ 1,402)</u>	<u>\$ 1,178,598</u>			

December 31, 2020

Guarantor/Accepting Institution	Nominal Amount	Discounted Amount	Carrying amount	Interest Rate	Collateral	Carrying Amount of Collateral
International Bills Finance Corporation (I)	\$ 50,000	(\$ 87)	\$ 49,913	0.620%	None	None
International Bills Finance Corporation (II)	150,000	(208)	149,792	0.620%	None	None
Ta Ching Bills Finance Corporation (I)	40,000	(56)	39,944	0.710%	None	None
Ta Ching Bills Finance Corporation (II)	50,000	(17)	49,983	0.710%	None	None
China Bills Finance Corporation	170,000	(361)	169,639	0.250%	None	None
Taiwan Finance Corporation	100,000	(66)	99,934	0.660%	None	None
Taiwan Cooperative Bills (I)	70,000	(35)	69,965	0.810%	None	None
Taiwan Cooperative Bills (II)	60,000	(83)	59,917	0.810%	None	None
Taiwan Cooperative Bills (III)	70,000	(46)	69,954	0.810%	None	None
Taiwan Cooperative Bills (IV)	50,000	(96)	49,904	0.810%	None	None
Mega Bills Finance Co., Ltd.	100,000	(192)	99,808	0.600%	None	None
Shanghai Commercial & Savings Bank, Ltd.	40,000	(66)	39,934	0.350%	None	None
	<u>\$ 950,000</u>	<u>(\$ 1,313)</u>	<u>\$ 948,687</u>			

(III) Long-term borrowings

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
<u>Secured borrowings</u> (Note 35)		
Bank borrowings	\$ -	\$ 190,000

Less: the amount due within 1 year	-	(190,000)
Long-term borrowings	<u>\$ -</u>	<u>\$ -</u>

1. In June 2020, the Consolidated Company obtained NT\$190,000 thousand from the drawdown of a new bank borrowing which is due on June 25, 2021. The effective interest rate is 0.97% p.a. with monthly interest payments and full repayment on principal in May 2021 in advance.
2. The above long-term borrowings were secured by the pledge of the Group's investment property (Please refer to Note 35).

XXI. Notes and accounts receivable

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

XXII. Other liabilities

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
<u>Current</u>		
Other payables		
Tax payable	\$ 5,671	\$ 5,256
Employee compensation payable	11,503	9,295
Salaries and bonus payable	51,419	39,865
Director and supervisor remuneration payable	9,700	7,400
Pension payable	2,249	2,059
Services expense payable	1,350	1,380
Electricity and fuels payable	2,362	817
Interest payable	1,073	862
Others	<u>45,225</u>	<u>26,105</u>
	<u>\$ 130,552</u>	<u>\$ 93,039</u>
Other payables - related parties (Note 34)	<u>\$ 1,186</u>	<u>\$ 1,231</u>
Other liabilities		
Temporary credits	\$ 21,315	\$ 145
Receipts under custody	2,717	2,462
Deferred revenue (I)	28	111
Received prepayment for real estate (II) (Note 34)	815,383	-
Others	<u>433</u>	<u>-</u>
	<u>\$ 839,876</u>	<u>\$ 2,718</u>
<u>Non-current</u>		
Other liabilities		
Guarantee deposits received	\$ 127,980	\$ 129,104
Others	<u>17</u>	<u>-</u>
	<u>\$ 127,997</u>	<u>\$ 129,104</u>

(I) Deferred revenue is related to the Group'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>2021</u>	<u>2020</u>
Beginning balance	\$ 111	\$ 194
Amortization for the year (recognized as deductions to depreciation)	(<u>83</u>)	(<u>83</u>)
Ending balance	<u>\$ 28</u>	<u>\$ 111</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. Retirement Benefit Plans

(I) Defined contribution plans

The Company and Shinkong Asset within the Group adopts a pension plan under the Labor Pension Act, which is a state-managed defined contribution plan. According to the Labor Pension Act, the Group 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 Group 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, 2021</u>	<u>December 31, 2020</u>
Present value of defined benefit obligation	\$ 48,268	\$ 41,339
Fair value of plan assets	(<u>51,142</u>)	(<u>49,325</u>)
Net defined benefit assets	(<u>\$ 2,874</u>)	(<u>\$ 7,986</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, 2020	<u>\$ 42,554</u>	(<u>\$ 46,611</u>)	(<u>\$ 4,057</u>)
Service costs			

Current service costs	135	-	135
Interest expenses (income)	<u>319</u>	(<u>353</u>)	(<u>34</u>)
Recognized in profit or loss	<u>454</u>	(<u>353</u>)	<u>101</u>
Remeasurements			
Return on plan assets (excluding amounts that are included in net interest)	-	(1,516)	(1,516)
	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit assets
Actuarial losses - changes in financial assumptions	888	-	888
Actuarial losses - experience adjustments	(<u>2,482</u>)	-	(<u>2,482</u>)
Recognized in other comprehensive income	(<u>1,594</u>)	(<u>1,516</u>)	(<u>3,110</u>)
Contributions from the employer	<u>-</u>	(<u>920</u>)	(<u>920</u>)
Plan assets paid	(<u>75</u>)	<u>75</u>	<u>-</u>
Balance at December 31, 2020	<u>41,339</u>	(<u>49,325</u>)	(<u>7,986</u>)
Service costs			
Current service costs	105	-	105
Interest expenses (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>6,371</u>
Recognized in other comprehensive income	<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>)

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

1. 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 yield 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 Group's defined benefit obligations is calculated by certified actuaries and the major assumptions on the assessment date are as follows:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Discount rate	0.625%	0.500%
Expected rate of salary increase	2.250%	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, 2021</u>	<u>December 31, 2020</u>
Discount rate		
Increase by 0.25%	(\$ 941)	(\$ 889)
Decrease by 0.25%	<u>\$ 971</u>	<u>\$ 919</u>
Expected rate of salary increase		
Increase by 0.25%	<u>\$ 939</u>	<u>\$ 887</u>
Decrease by 0.25%	<u>(\$ 915)</u>	<u>(\$ 863)</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, 2021</u>	<u>December 31, 2020</u>
Expected contributions to the plan for the next year	<u>\$ 969</u>	<u>\$ 930</u>
Average duration of defined benefit obligations	7.8 years	8.6 years

XXIV. Equity

(I) Capital

Common shares

	<u>December 31, 2021</u>	<u>December 31, 2020</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, 2021</u>	<u>December 31, 2020</u>
<u>May not be used for any purpose</u>		
Treasury share transactions	\$ 7,540	\$ 6,736
Dividends not collected before the designated date	<u>1,388</u>	<u>1,175</u>
	<u>\$ 8,928</u>	<u>\$ 7,911</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 Dividends 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 remuneration of directors and supervisors in the Group's Articles of Incorporation, please refer to Note 26(7) Compensation to employees and remuneration 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 ended December 31, 2019 and 2020 approved in the shareholders' meetings on July 16, 2021 and June 19, 2020, respectively, was as follows:

	<u>2020</u>	<u>2019</u>
Legal reserve	\$ <u>37,869</u>	\$ <u>38,812</u>
Cash dividends	\$ <u>300,041</u>	\$ <u>300,041</u>
Earnings per share (NT\$)	\$ 1	\$ 1

The distribution of earnings for year ended December 31, 2021 approved in the Board of Directors' meeting on March 21, 2022 was as follows:

	<u>2021</u>
Legal reserve	\$ <u>44,491</u>
Cash dividends	\$ <u>300,041</u>
Earnings per share (NT\$)	\$ 1

The above distribution of cash dividends is approved by the Board of Directors and is subject to the resolution of the shareholders' meeting to be held on June 10, 2022.

(IV) Other Equity Items

Unrealized gains (losses) on financial assets at fair value through other comprehensive income

	<u>2021</u>	<u>2020</u>
Beginning balance	\$ 3,678,813	\$ 3,371,877
Accrued in the current year		
Unrealized gains (losses)		
Equity instruments	801,363	319,869
Share of associates		
accounted for using the		
equity method	(21,862)	5,681
Other comprehensive income		
for the year	<u>779,501</u>	<u>325,550</u>
Accumulated gains (losses) on		
disposal of equity		
instruments transferred to		
retained earnings	(10)	(18,614)
Ending balance	<u>\$ 4,458,304</u>	<u>\$ 3,678,813</u>

(V) Non-controlling interests

	<u>2021</u>	<u>2020</u>
Beginning balance	\$ 4	\$ 34,756
Net losses for the period	(4)	(533)
Other comprehensive income		
for the period		
Exchange differences on		
translating the financial		
statements of foreign		
operations	-	(3)
Acquisition of non-controlling		
interest in subsidiaries (Note		
30)	-	(34,216)
Ending balance	<u>\$ -</u>	<u>\$ 4</u>

(VI) Treasury shares

<u>Reason for repurchase</u>	<u>Shares of parent company held by subsidiaries (in Thousand Shares)</u>
Number of shares on January 1, 2021	<u>804</u>
Number of shares on December 31, 2021	<u>804</u>
As of January 1, 2020	<u>804</u>
As of December 31, 2020	<u>804</u>

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

December 31, 2021

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

December 31, 2020

<u>Name of subsidiary</u>	<u>No. of Shares (In Thousand Shares)</u>	<u>Carrying amount</u>	<u>Market Value</u>
Shinkong Asset Management Co., Ltd.	<u>804</u>	<u>\$ 13,174</u>	<u>\$ 34,002</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>2021</u>	<u>2020</u>
Revenue from contracts with customers		
Revenue from the sale of textiles	\$ 1,755,377	\$ 1,159,247
Retail sale/Revenue from sale of garment	642,618	633,054
Rental revenue	350,315	355,916
Others	<u>604</u>	<u>996</u>
	<u>\$ 2,748,914</u>	<u>\$ 2,149,213</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 Group negotiated the lease contracts with reference to market rentals.

(II) Balance of contracts

	December 31, 2021	December 31, 2020	January 1, 2020
Notes receivables (Note 10)	\$ 29,684	\$ 7,195	\$ 6,882
Accounts receivable (Note 10)	<u>400,077</u>	<u>321,297</u>	<u>202,534</u>
	<u>\$ 429,761</u>	<u>\$ 328,492</u>	<u>\$ 209,416</u>
Contract liabilities			
Sale of goods	\$ 13,307	\$ 33,111	\$ 19,161
Rental revenue of investment property	<u>12,736</u>	<u>16,876</u>	<u>18,878</u>
Contract liabilities - current	<u>\$ 26,043</u>	<u>\$ 49,987</u>	<u>\$ 38,039</u>

(III) Breakdown of revenue from customer contracts

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

XXVI. Net profit for the year

(I) Interest income

	2021	2020
Bank deposits	\$ 426	\$ 1,939
Others	<u>49</u>	<u>38</u>
	<u>\$ 475</u>	<u>\$ 1,977</u>

(II) Other income

	2021	2020
Dividend income	\$ 281,990	\$ 235,190
Government grants	690	-
Others	<u>3,963</u>	<u>10,105</u>
	<u>\$ 286,643</u>	<u>\$ 245,295</u>

(III) Other gains and losses

	2021	2020
Gains (losses) on financial assets and financial liabilities		
Financial assets designated as at fair value through profit or loss	\$ 9,014	\$ 3,372
Financial assets mandatorily measured at fair value through profit or loss	2,998	(7,647)

Loss (gain) on disposal of property, plant and equipment	(4,898)	150
Net foreign exchange losses	(12,316)	(27,582)
Other expenses	(14,709)	(4,735)
	<u>(\$ 19,911)</u>	<u>(\$ 36,442)</u>

(IV) Finance costs

	2021	2020
Interest on bank borrowings	\$ 22,083	\$ 22,679
Interest on short-term bills	5,354	4,065
Interest on lease liabilities	934	1,253
	<u>\$ 28,371</u>	<u>\$ 27,997</u>

(V) Depreciation and amortization expenses

	2021	2020
Depreciation by functions		
Operating costs	\$ 90,113	\$ 99,505
Operating expenses	36,372	39,545
	<u>\$ 126,485</u>	<u>\$ 139,050</u>
	2021	2020
Amortization by functions		
Operating costs	\$ 408	\$ 299
Operating expenses	1,475	1,271
	<u>\$ 1,883</u>	<u>\$ 1,570</u>

(VI) Employee benefits expenses

	2021	2020
Post-employment benefits		
Defined contribution plans	\$ 17,473	\$ 12,353
Defined benefit plans (Note 23)	63	101
	<u>17,536</u>	<u>12,454</u>
Other employee benefits	436,224	353,458
Total employee benefit expense	<u>\$ 453,760</u>	<u>\$ 365,912</u>
By functions		
Operating costs	\$ 161,570	\$ 124,703
Operating expenses	292,190	241,209
	<u>\$ 453,760</u>	<u>\$ 365,912</u>

(VII) Employees' Compensation and Remunerations of Directors and Supervisors

According to the Company's Articles of Incorporation, the compensation to employees shall not be lower than one percent and the remuneration to directors and supervisors shall not be higher than five percent of the income before income tax,

compensation to employees and remuneration to directors and supervisors. Compensation to employees and remuneration to directors and supervisors for the years ended December 31, 2021 and 2020 resolved in the Board of Directors meetings on March 21, 2022 and March 30, 2021, respectively, were as follows:

Accrual rate

	2021	2020
Compensation to employees	1.99%	1.89%
Remuneration to Directors and Supervisors	1.99%	1.89%

Amount

	2021	2020
	Cash	
Compensation to employees	\$ 9,700	\$ 7,400
Remuneration to Directors and Supervisors	\$ 9,700	\$ 7,400

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 remunerations of employees, directors and supervisors for 2020 and 2019 and those recognized in the consolidated financial reports for 2020 and 2019.

For information on the remunerations of 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

	2021	2020
Total foreign exchange gains	\$ 2,767	\$ 1,080
Total foreign exchange (losses)	(15,083)	(28,662)
Net loss	(\$ 12,316)	(\$ 27,582)

XXVII. Income tax

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

	2021	2020
Current income tax		
Incurred this year	\$ 15,287	\$ 34,452

Additional tax levied on the unappropriated earnings	3,703	2,463
Adjustments for previous years	(<u>924</u>)	<u>22,970</u>
	<u>18,066</u>	<u>59,885</u>
Deferred income tax		
Incurred this year	<u>16,124</u>	(<u>28,421</u>)
Income tax expense recognized in profit or loss	<u>\$ 34,190</u>	<u>\$ 31,464</u>

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

	<u>2021</u>	<u>2020</u>
Income before income tax	<u>\$ 485,073</u>	<u>\$ 395,956</u>
Income tax expenses calculated at the statutory tax rate	\$ 92,522	\$ 276,608
Non-deductible expenses and losses	182	6,963
Tax-exempted income	(69,979)	(252,992)
Additional tax levied on the unappropriated earnings	3,703	2,463
Unrecognized deductible temporary difference	6,990	(24,548)
Foreign withholding tax	1,696	-
Adjustments for previous years	(<u>924</u>)	<u>22,970</u>
Income tax expense recognized in profit or loss	<u>\$ 34,190</u>	<u>\$ 31,464</u>

(II) Income tax recognized in other comprehensive income

	<u>2021</u>	<u>2020</u>
<u>Deferred income tax</u>		
Incurring this year		
- Translation of foreign operations	(\$ 16)	(\$ 5)
-Share of other comprehensive income of associates accounted for using the equity method	(389)	(895)
	<u>(\$ 405)</u>	<u>(\$ 900)</u>

(III) Current tax assets and liabilities

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Current tax assets		
Land value increment tax	\$ 139,749	\$ -
Tax refunds receivable	46	848
	<u>\$ 139,795</u>	<u>\$ 848</u>
Current tax liabilities		
Income tax payable	<u>\$ 16,728</u>	<u>\$ 28,980</u>

(IV) Current tax assets and liabilities

Changes in deferred tax assets and liabilities are as follows:

2021

	<u>Beginning balance</u>	<u>Recognized in profit or loss</u>	<u>Recognized other comprehensive income</u>	<u>Ending balance</u>
<u>Deferred tax assets</u>				
Temporary differences				
Exchange differences on translating of foreign operations	\$ 1,502	\$ -	\$ 405	\$ 1,907
Inventory write-down	29,525	(4,204)	-	25,321
Difference on unrealized foreign exchange gain (loss)	5,298	(3,925)	-	1,373
Loss carry forward	6,474	(6,144)	-	330
	<u>\$ 42,799</u>	<u>(\$ 14,273)</u>	<u>\$ 405</u>	<u>\$ 28,931</u>
<u>Deferred tax liabilities</u>				
Temporary differences				
Defined benefit 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	761,431	-	-	761,431
	<u>\$ 765,872</u>	<u>\$ 1,851</u>	<u>\$ -</u>	<u>\$ 767,723</u>

2020

	Beginning balance	Recognized in profit or loss	Recognized other comprehensive income	Ending balance
<u>Deferred tax assets</u>				
Temporary differences				
Exchange differences on translating of foreign operations	\$ 602	\$ -	\$ 900	\$ 1,502
Inventory write-down	-	29,525	-	29,525
Gains (losses) on foreign investments accounted for using the equity method	1,777	(1,777)	-	-
Difference on unrealized foreign exchange gain (loss)	2,563	2,735	-	5,298
Loss carry forward	6,474	-	-	6,474
	<u>\$ 11,416</u>	<u>\$ 30,483</u>	<u>\$ 900</u>	<u>\$ 42,799</u>
<u>Deferred tax liabilities</u>				
Temporary differences				
Defined benefit plans	\$ 2,379	\$ 164	\$ -	\$ 2,543
Gains (losses) on foreign investments accounted for using the equity method	-	1,898	-	1,898
Land value increment tax	761,431	-	-	761,431
	<u>\$ 763,810</u>	<u>\$ 2,062</u>	<u>\$ -</u>	<u>\$ 765,872</u>

Land revaluation of the Group'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\$761,431 thousand (under deferred tax liabilities) was recognized as of December 31, 2021 and 2020.

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

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Deductible temporary difference		
Impairment loss	<u>\$ 12,673</u>	<u>\$ 12,673</u>

(VI) Income tax assessment

The business income tax returns of the Company and the subsidiary, Shinkong Asset, through 2019 have been assessed by the tax authorities. The business income tax returns of the subsidiaries, Xin Fu Development and Hua Yang Motor, through 2019 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. As Shanghai Xin Ying and Shanghai Yong Yi were subject to local regulations, they had accrued tax payable and income tax expense.

Pursuant to Article 40 of the Business Mergers and Acquisitions Act, the Group 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 ten percent of business income tax with the 100%-owned Shinkong Asset.

XXVIII. Earnings per Share

	(NT\$ per Share)	
	2021	2020
Basic EPS	<u>\$ 1.51</u>	<u>\$ 1.22</u>
Diluted EPS	<u>\$ 1.51</u>	<u>\$ 1.22</u>

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

Net income

	2021	2020
Net income for the calculation of basic EPS	<u>\$ 450,887</u>	<u>\$ 365,025</u>
Net income for the calculation of diluted EPS	<u>\$ 450,887</u>	<u>\$ 365,025</u>

Number of shares

	(In Thousands of Shares)	
	2021	2020
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>271</u>	<u>222</u>
Weighted average number of common shares used for calculation of diluted earnings per share	<u>299,508</u>	<u>299,459</u>

If the Group 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. Government subsidies

The Consolidated Company received the government COVID subsidy NT\$4,764 thousand from Ministry of Economic Affairs and Ministry of Labor. This amount is recognized as other income of NT\$690 thousand and deduction for salary expense of NT\$4,074 thousand.

XXX. Equity Transactions with Non-controlling Interests

The Group acquired interests in Hua Yang Motor on January 20, 2020 and the shareholding increased from 55% to 100%.

As the afore-mentioned transactions did not affect the Group's control over these subsidiaries, they were accounted for as equity transactions.

	<u>January 20, 2020</u>
Consideration paid	(\$ 42,280)
Carrying amount of the subsidiary's net assets to be transferred out of non-controlling interest with calculations based on the changes in equity	<u>34,216</u>
Difference in equity transactions	(<u>\$ 8,064</u>)
<u>Accounts adjusted for difference in equity transactions</u>	
Unappropriated earnings	(<u>\$ 8,064</u>)

XXXI. 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 ended December 31, 2021 and 2020:

1. The Consolidated Company reclassified prepayments for equipment of NT\$29,500 thousand and NT\$6,452 thousand to PP&E for the years ended December 31, 2021 and 2020, respectively (please refer to Note 15 for details);
2. The Group reclassified prepaid expenses of NT\$220 thousand to intangible assets for the year ended December 31, 2020 (please refer to Note 18 for details);

(II) Changes in liabilities from financing activities

2021

			<u>Non-cash Changes</u>						
	January 1, 2021	Cash Flows	Additional Leases	Interest Expenses	Lease amendment Remeasurements	Contract termination Remeasurements	Others	Interest Paid	December 31, 2021
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>

2020

Lease liabilities (Note 16)	January 1, 2020	Cash Flows	Non-cash Changes				Interest Paid	December 31, 2020
			Additional Leases	Interest Expenses	Lease amendment Remeasurements	Contract termination Remeasurements		
	<u>\$152,071</u>	<u>(\$ 43,789)</u>	<u>\$ 5,278</u>	<u>\$ 1,253</u>	<u>\$ 595</u>	<u>(\$ 6,478)</u>	<u>(\$ 1,253)</u>	<u>\$107,677</u>

XXXII. Asset risk management

The Group carries out capital management to ensure that entities within the Group 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 Group'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).

The Group is not subject to any other external capital requirements.

The Group'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 Group 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.

XXXIII. Financial Instruments

(I) Information on fair value - financial instruments not measured at fair value

The Group'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 21, 2021

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

- Domestic stocks listed on TWSE or TPEX or emerging stocks	\$ 4,747,710	\$ -	\$ -	\$ 4,747,710
- Domestic stocks unlisted on TWSE or TPEX or emerging stocks	-	-	1,672,275	1,672,275
Total	<u>\$ 4,747,710</u>	<u>\$ -</u>	<u>\$ 1,672,275</u>	<u>\$ 6,419,985</u>

December 31, 2020

	Level 1	Level 2	Level 3	Total
<u>Measured at fair value through profit or loss</u>				
Domestic stocks listed on TWSE or TPEX or emerging stocks	\$ 35,846	\$ -	\$ -	\$ 35,846
Fund beneficiary certificates	151,683	-	-	151,683
Total	<u>\$ 187,529</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 187,529</u>
<u>Financial assets at fair value through other comprehensive income</u>				
Investments in equity instruments				
- Domestic stocks listed on TWSE or TPEX or emerging stocks	\$ 3,765,631	\$ -	\$ -	\$ 3,765,631
- Domestic stocks unlisted on TWSE or TPEX or emerging stocks	-	-	1,739,119	1,739,119
Total	<u>\$ 3,765,631</u>	<u>\$ -</u>	<u>\$ 1,739,119</u>	<u>\$ 5,504,750</u>

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

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

2021

	Financial assets at fair value through other comprehensive income
<u>Financial assets</u>	<u>Equity instruments</u>
Beginning balance	\$ 1,739,119
Recognized in Other Comprehensive Income (Unrealized Gain or Loss on Financial Assets at Fair Value through Other Comprehensive Income)	(60,275)
Addition	10,000
Proceeds from capital reduction	(16,569)
Ending balance	<u>\$ 1,672,275</u>

2020

	Financial assets at fair value through other comprehensive income
<u>Financial assets</u>	<u>Equity instruments</u>
Beginning balance	\$ 1,632,262
Recognized in Other Comprehensive Income (Unrealized Gain or Loss on Financial Assets at Fair Value through Other Comprehensive Income)	135,114
Proceeds from capital reduction	(28,257)
Ending balance	<u>\$ 1,739,119</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) Categories of financial instruments

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
<u>Financial assets</u>		
Measured at fair value through profit or loss		
Mandatorily measured at fair value through profit	\$ 127,602	\$ 151,683
Designated as at fair value through profit or loss	44,860	35,846
Financial assets at amortized cost (Note 1)	1,878,392	951,559
Financial assets at fair value through other comprehensive income		
Investments in equity instruments	6,419,985	5,504,750
<u>Financial liabilities</u>		
Financial liabilities at amortized cost (Note 2)	4,318,613	3,536,526

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, 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 Group include cash and cash equivalents, financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income, accounts receivable, short-term borrowing, short-term bills payable and accounts payable. The financial management department of the Group 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 Group through internal risk reports which analyze risk exposures by the degree and magnitude of risks. These risks include market risk (including foreign currency risk, interest rate risk and other price risks), credit risk and liquidity risk.

Risk exposure in relation to the Group's financial instruments and its management and measurement approaches remain unchanged.

1. Market Risks

The Group'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 Group 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. The Group 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 Group's monetary assets and liabilities denominated in currencies other than the functional currency on the balance sheet date, please refer to Note 38.

Sensitivity analysis

The Group is mainly exposed to U.S. dollar fluctuations.

The following table details the consolidated 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 internal reporting of foreign exchange risk to key management and it also represents management's assessment of the reasonably possible changes in exchange rates. The sensitivity analysis included only outstanding monetary items denominated in foreign currencies, and the translation of these items at the end of the year was adjusted for a 1% change in exchange rates. A positive number below indicates an increase in net income for a 1% appreciation of New Taiwan dollars % against U.S. dollars. A 1% depreciation of New Taiwan dollars against U.S. dollars will have an equal but opposite impact on net income.

(In Thousands of New Taiwan Dollars)

	<u>Impact of USD</u>	
	<u>2021</u>	<u>2020</u>
Profit and Loss	\$ 6,725(i)	\$ 5,111(i)

(I) The amount was mainly from the consolidated 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 in 2021 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 Group was exposed to interest rate risk because entities within the Group borrowed funds at both fixed and floating interest rates. The Group 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 Group's financial assets and financial liabilities exposed to interest rate risk on the balance sheet date are as follows:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Fair value interest rate risk		
Financial assets	\$ 1,800	\$ 1,800
Financial liabilities	155,007	107,677
Cash flow interest rate risk		
Financial assets	1,408,615	593,955
Financial liabilities	3,658,598	3,142,187

The Group is exposed to cash flow interest rate risk for bank borrowings at floating interest rate. The situation is in compliance with the Group's policy to keep its borrowings at floating interest rates in order to minimize the fair value interest rate risk. The Group'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 increases/decreases by 1%, the consolidated Company's net income would increase/decrease by NT\$18,000 thousand and NT\$20,386 thousand for the years ended December 31, 2021, and 2020, respectively. This is mainly due to the Group's interest rate exposure from borrowings at floating interest rates.

The increase in the sensitivity to interest rate in 2021 was mainly due to an increase in borrowings at floating interest rates.

(3) Other Price Risks

The Group 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 income (mainly investments in fund beneficial certificates and listed stocks in Taiwan). The Group'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 ended December 31, 2020 and 2021, if the equity price increases/decreases by 1%, the profit or loss after tax would increase/decrease by NT\$358 thousand and NT\$324 thousand, respectively, due to the increase/decrease in fair value of financial assets at fair value through profit or loss and the other comprehensive income after tax would increase/decrease by NT\$64,200 thousand and NT\$55,048

thousand, respectively, due to the increase/decrease in the fair value of financial assets at fair value through other comprehensive income.

2. Credit Risks

Credit risk refers to the risk that counterparties will default on its contractual obligations, resulting in a financial loss to the Group. As of the balance sheet date, the Group's maximum exposure to credit risk due to financial losses from counterparty's unfulfillment of obligations and financial guarantees provided by the Group (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 Group has a broad customer base and customer are unrelated to each other, the concentration of credit risk is low.

3. Liquidity Risks

The Group maintains a level of cash and cash equivalents deemed adequate to finance the Group's operations and mitigate the effects of cash flow fluctuations. The Group'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 Group. Please refer to (2) Line of credit below for unused credit facilities of the Group.

(1) Table of liquidity of non-derivative financial liabilities and interest rate risk

The maturity profile of the Group's non-derivative financial liabilities is prepared based on the earliest repayment dates and contractual undiscounted cash flows. Thus, the Group'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, 2021

	Effective Interest Rate (%)	Less than 1 Month	1 ~ 3 Months	3 Months ~ 1 Year	1 ~ 5 Years	Over 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>

December 31, 2020

	Effective Interest Rate (%)	Less than 1 Month	1 ~ 3 Months	3 Months ~ 1 Year	1 ~ 5 Years	Over 5 Years
<u>Current liabilities</u>						
Lease liabilities	0.758~1.01	\$ 3,763	\$ 7,527	\$ 32,624	\$ 63,558	\$ 1,906
Short-term borrowings	0.93~1.586	-	\$ 2,003,500	-	-	-
Long-term borrowings	0.97	-	-	190,000	-	-
Short-term bills payable	0.25~0.81	<u>289,836</u>	<u>658,851</u>	<u>-</u>	<u>-</u>	<u>-</u>
		<u>\$ 293,599</u>	<u>\$ 2,669,878</u>	<u>\$ 222,624</u>	<u>\$ 63,558</u>	<u>\$ 1,906</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>\$ 43,914</u>	<u>\$ 63,558</u>	<u>\$ 1,906</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) Financing facilities

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Credit facilities		
- Amount used	\$ 2,480,000	\$ 2,223,500
- Unused amount	<u>8,150,000</u>	<u>3,406,500</u>
	<u>\$ 10,630,000</u>	<u>\$ 5,630,000</u>
Credit from commercial papers		
- Amount used	\$ 1,180,000	\$ 950,000
- Unused amount	<u>170,000</u>	<u>250,000</u>
	<u>\$ 1,350,000</u>	<u>\$ 1,200,000</u>

XXXIV. Related Parties 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 Group engaged in the following transactions with other related parties:

(I) Names of related parties and categories

<u>Name of Related Party</u>	<u>Relationship with the Group</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
<u>Name of Related Party</u>	<u>Relationship with the Group</u>
Shin Kong 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
Cheng Cheng 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

(II) Operating transactions

<u>Financial Statement</u>	<u>Type/Name of Related Party</u>	<u>2021</u>	<u>2020</u>
Account			
Sales revenue	Shinkong Mitsukoshi Department Store Co., Ltd.	\$ 205,705	\$ 212,418
	Shinkong Insurance Co., Ltd.	26,166	8,223
	Related party in substance	12,291	12,016
		<u>\$ 244,162</u>	<u>\$ 232,657</u>

Rental revenue	Yi Guang International Apartments Maintenance and Management Co., Ltd.	\$ 43,654	\$ 50,538
	Shin Kong Wu Ho-Su Memorial Hospital under Shin Kong Medical Foundation	39,094	39,094
	Taishin International Bank Co., Ltd.	26,515	26,469
	UBright Optronics Corp.	20,779	20,068
	Related party in substance	<u>10,126</u>	<u>10,368</u>
		<u>\$ 140,168</u>	<u>\$ 146,537</u>

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

Rents from related parties above are negotiated and agreed by parties involved and paid by notes from related parties on a monthly basis.

(III) Purchase

Financial Statement Account	Type/Name of Related Party	2021	2020
Purchases	Chyang Sheng Dyeing & Finishing Co., Ltd.	\$ 96,356	\$ 21,410
	Shinkong Synthetic Fibers Corporation	<u>55,391</u>	<u>12,076</u>
		<u>\$ 151,747</u>	<u>\$ 33,486</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, 2021	December 31, 2020
Related party in substance	<u>\$ 6,194</u>	<u>\$ 9,740</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, 2021	December 31, 2020
Notes receivable	Related party in substance	<u>\$ 10</u>	<u>\$ 8</u>
Accounts receivable	Shinkong Mitsukoshi Department Store Co., Ltd.	\$ 40,397	\$ 35,522

	Related party in substance	<u>2,856</u>	<u>1,681</u>
		<u>\$ 43,253</u>	<u>\$ 37,203</u>
Other	Related party in substance	<u>\$ 4</u>	<u>\$ 1</u>
receivables			

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 ended December 31, 2021 and 2020.

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

Financial Statement Account	Type of Related Party	December 31, 2021	December 31, 2020
Notes payable	Related party in substance	<u>\$ 38,720</u>	<u>\$ 12,229</u>
Accounts payable	Related party in substance	<u>\$ 6,724</u>	<u>\$ 529</u>
Other payables	Related party in substance	<u>\$ 1,186</u>	<u>\$ 1,231</u>

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

(VII) Advance payment

<u>Type of Related Party</u>	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Shinkong Synthetic Fibers Corporation	\$ 4,650	\$ -
Related party in substance	<u>309</u>	<u>225</u>
	<u>\$ 4,959</u>	<u>\$ 225</u>

(VIII) Lease-in agreement

<u>Financial Statement Account</u>	<u>Type of Related Party</u>	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Lease liabilities	Chyang Sheng Dyeing & Finishing Co., Ltd.	\$ 5,844	\$ 19,770
Lease liabilities	Shin Kong Life Insurance Co., Ltd.	<u>14,548</u>	<u>46,552</u>
		<u>\$ 20,392</u>	<u>\$ 66,322</u>

<u>Type/Name of Related Party</u>	<u>2021</u>	<u>2020</u>
<u>Interest Expenses</u>		
Chyang Sheng Dyeing & Finishing Co., Ltd.	\$ 123	\$ 265
Shin Kong Life Insurance Co., Ltd.	<u>274</u>	<u>499</u>
	<u>\$ 397</u>	<u>\$ 764</u>

Rents are negotiated between the Group and each of the above related party, and fixed rental payments are made monthly according to the lease agreements.

(VIII) Lease-out agreement

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, 2021</u>	<u>December 31, 2020</u>
Shin Kong Wu Ho-Su Memorial Hospital under Shin Kong Medical Foundation	\$ 74,929	\$117,281
UBright Optronics Corp.	51,795	55,742
Taishin International Bank Co., Ltd.	109,413	99,711
Related party in substance	<u>27,875</u>	<u>34,198</u>
	<u>\$264,012</u>	<u>\$306,932</u>

Please refer to Note 34(2) Operating Revenue for information on rental revenue.

(X) Acquired financial assets

(In Thousands of Shares)

2021

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

2020

Name of Related Party	Financial Statement Account	No. of Unit	Underlying Securities	Price
Shin Kong Investment Trust Co., Ltd.	Financial assets at fair value through profit or loss - current	9,627	Shin Kong Chi-Shin Money-market Fund	\$ 150,000
Chyang Sheng Dyeing & Finishing Co., Ltd.	Financial assets at fair value through other comprehensive income - current	10,196	Chyang Sheng Dyeing & Finishing Co., Ltd. - common stocks	<u>125,717</u>
				<u>\$ 275,717</u>

(XI) Disposed financial assets

(In Thousands of Shares)

2021

Name of Related Party	Financial Statement Account	No. of Shares	Underlying Securities	Proceeds from Disposal	Gains (Losses) on Disposal
Shin Kong Investment Trust Co., Ltd.	Financial assets at fair value through profit or loss - current	5,126	Shin Kong Chi-Shin Money-market Fund	<u>\$ 80,018</u>	<u>\$ 18</u>

2020

Name of Related Party	Financial Statement Account	No. of Shares	Underlying Securities	Proceeds from Disposal	Gains (Losses) on Disposal
Shin Kong Investment Trust Co., Ltd.	Financial assets at fair value through profit or loss - current	4,501	Shin Kong Chi-Shin Money-market Fund	\$ 70,009	\$ 9
Chyang Sheng Dyeing & Finishing Co., Ltd.	Financial assets at fair value through other comprehensive income - current	20	Chyang Sheng Dyeing & Finishing Co., Ltd. - common stocks	<u>253</u>	<u>11</u>
				<u>\$ 70,262</u>	<u>\$ 20</u>

(XII) Endorsements and guarantees

Endorsements and guarantees provided

<u>Type/Name of Related Party</u>	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Shang De Motor Co., Ltd.		
Guarantee Amount	<u>\$ 72,360</u>	<u>\$240,000</u>
Amount Actually Drawn	<u>\$ 72,360</u>	<u>\$ 72,360</u>

(XIII) Others

<u>Financial Statement Account</u>	<u>Type of Related Party</u>	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Cash and cash equivalent	Shin Kong Bank Co., Ltd.	\$ 581,900	\$ 145,110
	Related party in substance	<u>82,870</u>	<u>13,123</u>
		<u>\$ 664,770</u>	<u>\$ 158,233</u>
Refundable deposits	Chyang Sheng Dyeing & Finishing Co., Ltd.	\$ 3,202	\$ 3,202
	Shin Kong Life Insurance Co., Ltd.	3,456	3,456
	Related party in substance	<u>522</u>	<u>222</u>
		<u>\$ 7,180</u>	<u>\$ 6,880</u>
Received prepayments for land	Shin Kong Wu Ho-Su Memorial Hospital under Shin Kong Medical Foundation	<u>\$ 815,383</u>	<u>\$ -</u>
Guarantee deposits received	Shin Kong Wu Ho-Su Memorial Hospital under Shin Kong Medical Foundation	\$ 36,768	\$ 36,768
	Related party in substance	<u>12,512</u>	<u>12,448</u>
		<u>\$ 49,280</u>	<u>\$ 49,216</u>
Financial assets at amortized cost	Shin Kong Bank Co., Ltd.	<u>\$ 1,800</u>	<u>\$ 1,800</u>
Non-operating income	Chyang Sheng Dyeing & Finishing Co., Ltd.	\$ 174	\$ 345
	Shang De Motor Co., Ltd.	193	-
	Related party in substance	<u>221</u>	<u>198</u>
		<u>\$ 588</u>	<u>\$ 543</u>
Non-operating expenses	Related party in substance	<u>\$ 10</u>	<u>\$ 15</u>

The Group provided shares as collateral to secure financing facilities from related parties. Details are as follows:

Name of Related Party	Details	December 31, 2021	December 31, 2020
Shin Kong Bank Co., Ltd.	Shares of Shinkong Insurance Co., Ltd.	10,000 thousand shares	10,000 thousand shares
Taishin International Bank Co., Ltd.	Shares of Shinkong Insurance Co., Ltd.	10,000 thousand shares	10,000 thousand shares

(XIV) Remuneration of key management

	2021	2020
Short-term employee benefits	\$ 25,265	\$ 22,536
Post-employment benefits	610	513
	<u>\$ 25,875</u>	<u>\$ 23,049</u>

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

(XXXV) Assets pledged as collateral or for security

The following assets have been provided as collateral for borrowings:

	December 31, 2021	December 31, 2020
Financial assets at fair value through other comprehensive income - non-current	\$ 1,922,480	\$ 1,793,800
Investment properties	2,877,820	2,474,433
Pledged time deposits (recognized as financial assets at amortized cost)	1,800	1,800
	<u>\$ 4,802,100</u>	<u>\$ 4,270,033</u>

XXVI. Significant Contingent Liabilities and Unrecognized Contract Commitments

Besides disclosures in other notes, the Group's significant commitments and contingencies on the balance sheet dates were as follows:

Significant commitments

- (I) As of December 31, 2021 and 2020, the guaranteed notes submitted by the Company for import credits and other businesses amounted to NT\$25,748 thousand and NT\$8,818 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 is NT\$12,897 thousand and NT\$66,710 thousand. As of December 31, 2021, NT\$52,706 thousand of architectural design and supervision has been paid.
2. The service contract for appointing the construction manager is NT\$28,000 thousand. As of December 31, 2021, NT\$2,800 of project management funds have been paid.

XXXVII. Significant Events after the End of the Financial Reporting Period

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. Transfer of all ownership was completed on January 7, 2022.

XXXVIII. 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 Group 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, 2021

	<u>Foreign currency</u>	<u>Exchange Rate</u>	<u>Carrying amount</u>
<u>Assets denominated in foreign currency</u>			
<u>Monetary items</u>			
US\$	\$ 30,669	27.68	\$ 848,920
EU\$	490	31.32	15,361
<u>Liabilities denominated in foreign currency</u>			
<u>Monetary items</u>			
US\$	299	27.68	8,269
EU\$	121	31.32	3,793

December 31, 2020

	<u>Foreign currency</u>	<u>Exchange Rate</u>	<u>Carrying amount</u>
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Assets denominated in
foreign currency

Monetary items

US\$	\$ 22,431	28.48	\$ 638,846
EU\$	27	35.02	948

Liabilities denominated in
foreign currency

Monetary items

EU\$	49	35.02	1,723
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The consolidated Company's (realized and unrealized) foreign exchange gains and losses for the years ended December 31, 2021 and 2020 amounted to NT\$27,582 thousand and NT\$12,068 thousand, respectively. Since the Group transacts in a number of foreign currencies, foreign exchange gain (loss) cannot be disclosed by foreign currencies with significant impact.

XXXIX. Disclosure of Financial Report Notes

(I) Information on Significant Transactions:

1. Financing provided to others. (Table I)
2. Endorsement/guarantee provided to others. (Table II)
3. Marketable securities held as of December 31, 2021 (excluding investments in subsidiaries, associates and controlled joint ventures). (Table III)
4. Individual securities acquired or disposed of with accumulated amount of at least NT\$300 million or 20 percent of the paid-in capital. (None)
5. Acquisition of individual real estate with amount of at least NT\$300 million or 20 percent of the paid-in capital. (None)
6. Disposal of individual real estate with amount of at least NT\$300 million or 20 percent of the paid-in capital. (None)
7. Related party transactions with purchase or sales amount of at least NT\$100 million or 20 percent of the paid-in capital. (Table IV)
8. Accounts receivable 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) Information on Reinvestment: see Table V attached.

(III) Investment information 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 VI)
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 VII)

XL. Department Info

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 Group'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) Segment revenue and results of operations

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

	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>\$ 1,573</u>	(<u>\$ 10,827</u>)	<u>\$ 209,478</u>	\$ 200,224
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>
Income before income tax				<u>\$ 485,073</u>

	2020			
	Marketing Department	Retail Department	Real Estate Department	Total
Revenue from external customers	\$1,159,247	\$ 634,583	\$ 355,383	\$2,149,213
Intersegment revenue	-	2,742	35,339	38,081
Segment revenue	<u>\$1,159,247</u>	<u>\$ 637,325</u>	<u>\$ 390,722</u>	2,187,294
Internal elimination				(38,081)
Consolidated revenue				<u>\$2,149,213</u>
Segment profit or loss	(\$ 21,471)	(\$ 6,592)	<u>\$ 191,510</u>	\$ 163,447
Interest income				1,977
Other income				245,295
Other gains and losses				(36,442)
Finance costs				(27,997)
Share of profit (loss) of associates and joint ventures accounted for using the equity method				<u>49,676</u>
Income before income tax				<u>\$ 395,956</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) Major Customers Information

Of the sales revenue at NT\$1,792,301 thousand for the years ended December 31, 2020, NT\$212,418 thousand came from the largest customer of the Consolidated Company. No other single customer accounted for 10% or more of the Group's consolidated revenue for the years ended December 31, 2021 and 2020.

Shinkong Textile Co., Ltd. and Subsidiaries
Financing provided to others
2021

TableI (In Thousands of New Taiwan Dollars)

No.	Financing Company	Counterparty	Financial Statement Account	Whether A Related Party	Maximum Balance for the Period	Ending Balance	Amount Actually Drawn	Interest Rate	Nature of Financing	Transaction Amount	Short-term financing needed	Provision for doubtful debts	Collateral		Financing Limit for Individual Borrower	Nature of The aggregate amount	Note
													Item	Value			
0	Shinkong Textile Co., Ltd.	Xin Fu Development Co., Ltd.	Receivables from related parties	Yes	\$ 80,000	\$ 80,000	\$ 73,324	1%	Necessity of short-term financing	\$ -	Operating capital	\$ -		\$ -	\$ 1,001,112	\$ 4,004,447	Note 2
1	Shinkong Asset Management Co., Ltd.	Hua Yang Motor Co., Ltd.	Receivables from related parties	Yes	30,000	-	-	1%	Necessity of short-term financing	-	Operating capital	-		-	677,514	7,007,783	Note 3

Note 1: The numbers to be filled are described as follows:

- (1) The Corporation is “0.”
- (2) Investees are numbered sequentially starting from 1 according to the company type.

Note 2: Financing provided to Shinkong Textile Co., Ltd.:

Total lending amount to firms or companies requiring short-term financing shall not exceed 40 percent of the Company's net worth and the lending amount to a single enterprise shall not exceed 10 percent of the Company's net worth.
Maximum amount of financing to companies or firms requiring short-term financing: 10,011,118 x40%=4,004,447
The maximum amount permitted to a single borrower: 10,011,118 x10%=1,001,112

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: 10,011,118x70%=7,007,783
The maximum amount permitted to a single borrower: 10,011,118 x20%=2,002,224 ; 1,693,786 x40%=677,514

Shinkong Textile Co., Ltd. and Subsidiaries
Endorsements and guarantees provided
2021

Table II

(In Thousands of New Taiwan Dollars)

No.	Endorser/Guarantor Name of Company	Endorsee/Guarantee		Limits on Endorsement/ Guarantee Amount Provided to A Single Entity (Note 3)	Maximum Endorsement/G uarantee Balance for the Period	Endorsements at the end of term Guarantee balance	Amount Actually Drawn	Endorsement and guarantee by assets	Ratio of Accumulated Endorsement/ Guarantee to Net Equity per Latest Financial Statements	Endorsements and guarantees Maximum limit (Note 3)	Endorsemen t/Guarantee Provided by Parent for Subsidiary	Endorsemen t/Guarantee Provided by Subsidiary for Parent	Endorsemen t/Guarantee Provided for Subsidiary in Mainland China	Note
		Name of Company	Relationship											
0	Shinkong Textile Co., Ltd.	Shang De Motor Co., Ltd.	6	\$ 2,002,224	\$ 72,360	\$ 72,360	\$ 72,360	\$ -	0.7%	\$ 5,005,559	N	N	N	Note 3
1	Shinkong Asset Management Co., Ltd.	Shinkong Textile Co., Ltd.	3	10,011,118	2,060,000	1,350,000	1,350,000	1,350,000	13.5%	10,011,118	N	Y	N	Note 3
2	Hua Yang Motor Co., Ltd.	Shinkong Textile Co., Ltd.	3	10,011,118	710,000	710,000	710,000	710,000	7.1%	10,011,118	N	Y	N	Note 3
2	Hua Yang Motor Co., Ltd.	Shinkong Asset Management Co., Ltd.	3	10,011,118	710,000	710,000	710,000	710,000	7.1%	10,011,118	N	Y	N	Note 3

Note 1: The numbers are described as follows:

- (1) The Corporation is “0.”
- (2) Investees are numbered sequentially starting from 1 according to the company type.

Note 2: The relationships between endorsers/guarantors and endorsees/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) Companies in same type of business and providing mutual endorsements/guarantees in favor of each other in accordance with the contractual obligations in order to fulfill the needs of the construction project.
- (6) Shareholders making endorsements/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/guarantee for external entities shall not exceed 50% of the Company's net worth. The maximum endorsement/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/guarantee provided by the Company and subsidiaries was the net worth of $10,011,118 \times 50\% = 5,005,559$ and the maximum endorsement/guarantee for a single entity was the net worth of $10,011,118 \times 20\% = 2,002,224$ for the year ended December 31, 2021.

The limit calculated based on Shinkong Asset Management Co., Ltd.'s Procedures for Endorsement and Guarantee is as follows:

(3) The amount of endorsement/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/guarantee for its subsidiary or if a subsidiary provides endorsement/guarantee for its listed parent company or if endorsement/guarantee involve mainland China.

Shinkong Textile Co., Ltd. and Subsidiaries
Marketable securities held as of December 31, 2021
December 31, 2021

Table III

(In Thousands of Shares / New Taiwan Dollars)

Securities Holding Company	Type and Name of Marketable Securities (Note 1)	Relationship with the Holding Company (Note 2)	Financial Statement Account	Ending Balance				Note (Note 3)
				Number of shares (thousand shares/thousand units)	Carrying amount	Shareholding (%)	Fair value	
Shinkong Textile Co., Ltd.	Beneficiary certificates	None	Financial assets at fair value through profit or loss - current					
	Grandway Multi-Strategy Fund			63	\$ 51,506	-	\$ 51,506	
	Yuanta/P-shares Taiwan Top 50 ETF			523	76,096	-	76,096	
	Stocks - listed on TWSE or TPEx							
	Asia Pacific Telecom Co., Ltd.			524	4,310	0.01	4,310	
Shinkong Textile Co., Ltd.	TacBright Optronics Corporation	(6)	"	5,000	40,550	1.08	40,550	
					<u>\$ 172,462</u>		<u>\$ 172,462</u>	
	Stocks - listed on TWSE or TPEx							
	Chyang Sheng Dyeing & Finishing Co., Ltd.			31,321	\$ 444,752	18.08	\$ 444,752	
	Shinkong Synthetic Fibers Corporation			56,104	1,133,306	3.47	1,133,306	
Shinkong Asset Management Co., Ltd.	Taishin Financial Holding Co., Ltd.	Shinkong Assets is the company's corporate director	"	7,146	135,423	0.06	135,423	
	Shin Kong Financial Holding			4,609	50,928	0.03	50,928	
	Chyang Sheng Dyeing & Finishing Co., Ltd.			413	5,868	0.24	5,868	
					<u>\$ 1,770,277</u>		<u>\$ 1,770,277</u>	
	Stocks - listed on TWSE or TPEx							
Shinkong Textile Co., Ltd.	Xintec Inc.	None	Financial assets at fair value through other comprehensive income - non-current	141	\$ 20,163	0.05	\$ 20,163	
	O-Bank Co., Ltd.			10,385	83,078	0.34	83,078	
	The Great Taipei Gas Corporation			10,738	356,502	2.08	356,502	
	Taishin Financial Holding Co., Ltd. - preferred stocks E			228	12,111	0.03	12,111	

(Continued on the next page)

(Continued from the previous page)

Securities Holding Company	Type and Name of Marketable Securities (Note 1)	Relationship with the Holding Company (Note 2)	Financial Statement Account	Ending Balance				Note (Note 3)
				Number of shares (thousand shares/thousand units)	Carrying amount	Shareholding (%)	Fair value	
Shinkong Asset Management Co., Ltd.	Shinkong Insurance Co., Ltd.	(1)	Financial assets at fair value through other comprehensive income - non-current	51,540	\$ 2,448,128	16.31	\$ 2,448,128	10,000 thousand shares were collateralized to Shin Kong Bank and Taishin International Bank separately with a market value of NT\$950,000 thousand
	Taishin Financial Holding Co., Ltd. - preferred stocks E (second)	(6)	"	137	7,091	0.05	7,091	
	Unlisted companies Tong Hsin Water Business Inc.	(1)	Financial assets at fair value through other comprehensive income - non-current	1,982	22,763	9.83	22,763	
	Taian Insurance Co., Ltd.	None	"	2,049	59,902	0.69	59,902	
	Shin Kong Chao Feng Co., Ltd.	(5)	"	200	32,791	2.22	32,791	32,000 thousand shares were collateralized to ChinaTrust Commercial Bank with a market value of NT\$972,480 thousand
	Shinkong Mitsukoshi Department Store Co., Ltd.	(4)	"	41,275	1,254,361	3.31	1,254,361	
	Shin Kong Recreation Co., Ltd.	(2)	"	650	220,119	3.32	220,119	
	Eastern International Ad.	None	"	-	284	0.90	284	
	Li Yu Venture Capital Co., Ltd.	None	"	209	3,532	1.79	3,532	
	Taiwan Zeniya Interior Design Co., Ltd.	None	"	-	15,612	8.00	15,612	
	Global Securities Finance Corp.	None	"	98	979	0.53	979	
	WK Technology Fund IV	None	"	75	112	0.71	112	
	WK Technology Fund	None	"	22	213	2.18	213	
	IRSO Precision Co., Ltd.	None	"	1,000	3,141	4.93	3,141	
	KHL IB Venture Capital	None	"	2,489	48,466	2.98	48,466	
	Mega Solar Energy Co., Ltd.	None	"	1,000	10,000	1.25	10,000	
	Stocks - listed on TWSE or TPEx							
	Taishin Financial Holding Co., Ltd.	(6)	Financial assets at fair value through other comprehensive income - non-current	914	17,315	0.01	17,315	

	Taishin Financial Holding Co., Ltd. - preferred stocks E	(6)	"	29	1,548	-	1,548	
	Taiwan Shin Kong Security Co., Ltd.	(6)	"	777	30,590	0.2	30,590	
	Shinkong Textile Co., Ltd.	Parent company	"	804	34,364	0.27	34,364	
	Taishin Financial Holding Co., Ltd. - preferred stocks E (second)	(6)	"	17	907	-	907	
	Less: Shares of the parent company held by subsidiary				(34,364)		(34,364)	
					<u>\$ 4,649,708</u>		<u>\$ 4,649,708</u>	

Note 1: Marketable securities in this table refer to stocks, bonds, beneficiary certificates as promulgated in IFRS 9 "Financial Instruments" and the securities derived from the items above.

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 VI.

Shinkong Textile Co., Ltd. and Subsidiaries

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

2021

Table IV

(In Thousands of New Taiwan Dollars)

Purchase (sales) company	Related Party	Relationship	Transaction Details				Circumstances and reasons for transaction conditions different from ordinary transactions (note 1)		Notes/ Trade receivable (payable)		Note (Note 2)
			Purchase (sales)	Amount	Percentage of Total Purchases (Sales) (%)	Credit Period	Unit price	Credit Period	Ending Balance	Notes/ Trade receivable (payable) %	
Shinkong Mitsukoshi Department Store Co., Ltd.	Shinkong Textile Co., Ltd.	Related party in substance	Sales	\$ 205,705	8.58%	No material difference from general customers	—	—	\$ 40,397	9.39%	

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
2021

Table V

(In Thousands of Shares / New Taiwan Dollars)

Investor	Investee	Location	Principal Business Activities	Initial Investment Amount		Ending Balance			Current gain (loss) of the investee company during the period	Investment profit or loss recognized in the current period	Note
				Ending Balance	End of Last Year	Number of shares	Percentage of Ownership (%)	Carrying amount			
Shinkong Textile Co., Ltd.	Shinkong Asset Management Co., Ltd.	F15, No. 44, Section 2, Zhonghan 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.	\$ 664,719	\$ 664,719	25,490	100.00	\$ 1,659,423	\$ 51,917	\$ 51,113	Note 1. Subsidiaries
"	Lian Quan Investment Co., Ltd.	F6, No. 44, Section 2, Zhonghan 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	384,759	18,465	9,028	
"	SK INNOVATION CO., LTD.	Portcullis Trust Net Chambzs, P.O. Box1225, Apia, Samoa	Investment	21,424	21,424	700	100.00	10,635	(687)	(687)	Subsidiaries
"	Shang De Motor Co., Ltd.	No. 518, Zhongzheng Rd., Xinzhuang Dist., New Taipei City 242048, Taiwan (R.O.C.)	Trading and maintenance of motor vehicles and trading of auto parts	269,699	269,699	9,715	33.5	278,104	83,356	27,924	
"	WPI-High Street LLC	5190 Campus Dr., Newport Beach, CA 92660	Investment	65,885	56,220	-	35.71	42,388	25,376	9,061	
Shinkong Asset Management Co., Ltd.	Xin Fu Development Co., Ltd.	F15, No. 44, Section 2, Zhonghan 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	768,821	2,263	2,206	Sub-subsidiaries

Hua Yang Motor Co., Ltd.	Hua Yang Motor Co., Ltd.	F15, No. 44, Section 2, Zhongshan N Road, Zhongshan District, Taipei	Businesses include the wholesale and retail sale of motor vehicles, retail sale of auto and motorcycle parts and accessories, automobile repair, other automobile services, retail sale of culture, education, musical instruments and educational entertainment supplies, retail sale of tires and tubes, agency service, leasing, and manufacturing of motor vehicles/motorcycles and their parts.	349,065	349,065	33,700	100.00	355,755	26,474	26,474	Sub-subsidiaries
	One Full Co., Ltd.	F15, No. 44, Section 2, Zhongshan N Road, Zhongshan District, Taipei	Clothing and accessories retail, retail, non-store retail, other integrated retail, international trade, warehousing, tally and packaging.	76,000	30,000	7,600	100.00	41,916	(30,710)	(30,710)	Sub-subsidiaries

Note 1: The carrying amount has deducted the NT\$13,174 thousand reclassified as treasury shares.

Note 2: For information on investee companies in mainland China, refer to Table 7.

Shinkong Textile Co., Ltd. and Subsidiaries
Information on Investments in Mainland China
2021

Table VI

(In Thousands of New Taiwan Dollars; Foreign Currencies)

Investee	Principal Business Activities	Paid-in Capital	Method of Investments	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2021	Investment Flows		Accumulated Outward Remittance for Investment from Taiwan as of December 1, 2021	Current gain (loss) of the investee company during the period	% Ownership of Direct or Indirect Investment	Investment profit or loss recognized in the current period (Note 2)	Ending investment as of December 31, 2021	Accumulated Repatriation of Investment Income to Taiwan as of December 31, 2021	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)-(1)	\$ 21,362	\$	\$ -	\$ 21,362	(\$ 687)	100	(\$ 687) (2)－B	\$ 10,632	\$ -	-
Shanghai Yong Yi Internet Technology Co., Ltd.	Development of specialized field in internet technology, technical service, technology transfer, technical consultation, internet business and e-commerce.	-	Note 1 (2)-(2)	-	-	-	-	(10)	-	(6) (2)－B	-	-	

Note 1: Investment methods are classified into the following three categories, the number of category in each case belongs to:

- (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 methods.

Note 2: In the column of investment profit (loss) recognized for the period:

- (1) If the company is in preparation status without investment profit (loss), it shall be remarked.
- (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 as of December 31, 2021	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA
\$ 21,362	\$ 1,000 USD 27,680 TWD	\$ 6,006,671

Shinkong Textile Co., Ltd.
Information on Major Shareholders
December 31, 2021

Table VII

Name of Major Shareholders	Shareholding	
	No. of Shares	Percentage of Ownership
Shinkong Synthetic Fibers Corporation	28,378,958	9.45%
Shin Kong Wu Ho-Su Memorial Hospital	20,979,735	6.99%
Ji Zhen Co., Ltd.	19,650,000	6.54%

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. For general public information:

Audit opinion

We have audited the parent company only balance sheets of Sinkong Textile Co., Ltd. (hereinafter referred to as the "Company") as of December 31, 2020 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, 2021 and 2020, 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 with Sinkong Textile Co., Ltd. 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, 2021 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, 2021 are as follows:

Authenticity of sales revenue from specific customers

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

Our corresponding audit procedures were as follows:

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

Responsibilities of Management and Those Charged with Governance for the Parent Company Only Financial Statements

The responsibilities of management are to prepare the parent company only financial statements with fair presentation in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and maintain necessary internal controls associated with the preparation in order to ensure the parent company only financial statements are free from material misstatement, whether due to fraud or error.

In preparing the parent company only financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including the audit committee, are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Parent Company Only Financial Statements

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

As part of an audit in accordance with the auditing standards generally accepted in the Republic of China, we exercise professional judgment and 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, 2021. 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 21, 2022

Shinkong Textile Co., Ltd.
Parent Company Only Balance Sheets
DECEMBER 31, 2021 and 2020

(In Thousands of New Taiwan Dollars)

Code	Assets	December 31, 2021		December 31, 2020	
		Amount	%	Amount	%
	Current assets				
1100	Cash and cash equivalents (Note 6 & 31)	\$ 746,846	5	\$ 506,335	4
1110	Financial assets at fair value through profit or loss (Note 7)	172,462	1	187,529	2
1120	Financial assets at fair value through other comprehensive income - current (Note 8)	1,764,409	13	1,240,057	10
1150	Notes receivable (Notes 10 and 31)	29,684	-	7,152	-
1170	Accounts receivable (Note 10)	355,770	3	282,717	2
1180	Accounts receivable - related parties, net (Notes 10 and 31)	44,700	-	37,908	-
1200	Other receivables	19,164	-	8,891	-
1210	Other receivables - related parties (Note 31)	82,382	1	19,640	-
1220	Current tax assets (Note 25)	46	-	848	-
130X	Inventories (Note 11)	756,826	5	446,537	4
1410	Prepayments (Note 17)	157,941	1	56,335	-
1470	Other current assets (Note 17)	12	-	7,737	-
11XX	Total current assets	<u>4,130,242</u>	<u>29</u>	<u>2,801,686</u>	<u>22</u>
	Non-current assets				
1517	Financial assets at fair value through other comprehensive income - non-current (Notes 8, 31 and 32)	4,599,348	32	4,216,295	34
1535	Financial assets at amortized cost - non-current (Notes 9, 31 and 32)	1,800	-	1,800	-
1550	Investments accounted for using the equity method (Note 12)	2,375,309	17	2,332,254	19
1600	Property, plant and equipment (Notes 13 and 28)	351,627	2	271,270	2
1755	Right-of-use assets (Note 14)	146,950	1	95,613	1
1760	Investment properties (Notes 15 and 32)	2,643,787	19	2,666,789	21
1780	Other intangible assets (Note 16)	2,338	-	2,218	-
1840	Deferred tax assets (Notes 25)	28,602	-	36,326	-
1990	Other non-current assets (Note 17)	36,712	-	52,841	1
15XX	Total non-current assets	<u>10,186,473</u>	<u>71</u>	<u>9,675,406</u>	<u>78</u>
1XXX	TOTAL ASSETS	<u>\$ 14,316,715</u>	<u>100</u>	<u>\$ 12,477,092</u>	<u>100</u>
Code	Liabilities and equity				
	Current liabilities				
2100	Short-term borrowings (Notes 18 and 32)	\$ 1,880,000	13	\$ 1,350,000	11
2110	Short-term notes payable (Note 18)	1,128,646	8	858,849	7
2130	Contract liabilities - current (Notes 23 and 31)	25,960	-	49,901	-
2150	Notes payable (Note 19)	257,405	2	99,439	1
2160	Notes payable - related parties (Notes 19 and 31)	38,340	-	12,039	-
2170	Accounts payable (Note 19)	97,338	1	58,740	-
2180	Accounts payable - related parties (Notes 19 and 31)	7,653	-	529	-
2219	Other payables (Note 20)	116,620	1	80,718	1
2220	Other payables - related parties (Notes 20 and 31)	1,166	-	1,231	-
2230	Current tax liabilities (Note 25)	16,594	-	28,560	-
2280	Lease liabilities - current (Note 14)	46,002	-	36,117	-
2320	Current portion of long-term borrowings (Note 18)	-	-	190,000	2
2399	Other current liabilities (Note 20)	23,684	-	2,260	-
21XX	Total current liabilities	<u>3,639,408</u>	<u>25</u>	<u>2,768,383</u>	<u>22</u>
	Non-current liabilities				
2570	Deferred tax liabilities (Notes 25)	519,828	4	517,977	4
2580	Lease liabilities - non-current (Note 14)	105,094	1	60,887	1
2645	Guarantee deposits (Note 31)	41,267	-	42,481	-
25XX	Total non-current liabilities	<u>666,189</u>	<u>5</u>	<u>621,345</u>	<u>5</u>
2XXX	Total liabilities	<u>4,305,597</u>	<u>30</u>	<u>3,389,728</u>	<u>27</u>
	Equity (Note 22)				
	Share Capital				
3110	Common shares	3,000,413	21	3,000,413	24
3200	Capital surplus	8,928	-	7,911	-
	Retained earnings				
3310	Legal reserve	497,780	4	459,911	4
3320	Special reserve	1,006,548	7	1,006,548	8
3350	Unappropriated earnings	1,058,957	7	951,961	7
3300	Total retained earnings	<u>2,563,285</u>	<u>18</u>	<u>2,418,420</u>	<u>19</u>
	Other equity				
3410	Exchange differences on translating the financial statements of foreign operations	(6,638)	-	(5,019)	-
3420	Unrealized gains (losses) on financial assets at fair value through other comprehensive income	4,458,304	31	3,678,813	30
	Total other equity	<u>4,451,666</u>	<u>31</u>	<u>3,673,794</u>	<u>30</u>
3400	Treasury share	(13,174)	-	(13,174)	-
3XXX	Total equity	<u>10,011,118</u>	<u>70</u>	<u>9,087,364</u>	<u>73</u>
	TOTAL LIABILITIES AND EQUITY	<u>\$ 14,316,715</u>	<u>100</u>	<u>\$ 12,477,092</u>	<u>100</u>

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

Chairman: Hsin-En Wu

President: Hsin-En Wu

Accounting Manager: Su-Juan Ke

Shinkong Textile Co., Ltd.
Parent Company Only Statements of Comprehensive Income
January 1 to March 31, 2021 and 2020

Unit: In Thousands of NT\$, provided that
Earnings per share are in NT\$

Code		2021		2020	
		Amount	%	Amount	%
	Operating revenue (Notes 23 and 31)				
4100	Sales revenue	\$ 2,398,299	94	\$ 1,791,614	92
4300	Rental revenue	153,946	6	153,486	8
4800	Other operating revenue	<u>604</u>	<u>-</u>	<u>996</u>	<u>-</u>
4000	Total operating revenue	<u>2,552,849</u>	<u>100</u>	<u>1,946,096</u>	<u>100</u>
	Operating costs (Notes 11, 24 and 31)				
5110	Cost of goods sold	(1,930,334)	(75)	(1,410,896)	(73)
5300	Rental costs	(<u>42,260</u>)	(<u>2</u>)	(<u>44,425</u>)	(<u>2</u>)
5000	Total operating costs	(<u>1,972,594</u>)	(<u>77</u>)	(<u>1,455,321</u>)	(<u>75</u>)
5900	Gross Profit	<u>580,255</u>	<u>23</u>	<u>490,775</u>	<u>25</u>
	Operating expenses (Notes 24 and 31)				
6100	Selling and marketing	(326,769)	(13)	(305,145)	(16)
6200	General and administrative	(107,804)	(4)	(91,398)	(5)
6300	Research and development	(25,941)	(1)	(23,704)	(1)
6400	Expected credit losses	(<u>497</u>)	<u>-</u>	(<u>650</u>)	<u>-</u>
6000	Total operating expenses	(<u>461,011</u>)	(<u>18</u>)	(<u>420,897</u>)	(<u>22</u>)
6500	Other operating income and expenses	<u>-</u>	<u>-</u>	(<u>102</u>)	<u>-</u>
6900	Profit from operations	<u>119,244</u>	<u>5</u>	<u>69,776</u>	<u>3</u>
	NON-OPERATING INCOME AND EXPENSES (Note 24 and 31)				
7100	Interest income	648	-	1,950	-
7010	Other income	281,555	11	242,415	13
7020	Other gains and losses	(9,635)	(1)	(34,722)	(2)

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Code		2021		2020	
		Amount	%	Amount	%
7050	Finance costs	(21,407)	(1)	(21,158)	(1)
7070	Share of profit or loss of subsidiaries, associates and joint ventures accounted for using the equity method	96,439	4	117,840	6
7000	Total non-operating income and expenses	347,600	13	306,325	16
7900	Income before income tax	466,844	18	376,101	19
7950	Income tax expense (Note 25)	(15,957)	-	(11,076)	-
8200	Net income	450,887	18	365,025	19
8310	Other comprehensive income Items that will not be reclassified subsequently to profit or loss:				
8311	Remeasurement of defined benefit plans	(5,991)	-	3,110	-
8316	Unrealized gains (losses) on investments in equity instruments at fair value through other comprehensive income	793,533	31	320,507	17
8330	Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using the equity method	(14,032)	(1)	5,043	-
8360	Items that may be reclassified subsequently to profit or loss:				

8361	Exchange differences on translating the financial statements of foreign operations	(80)	-	(24)	-
8370	Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using the equity method	(1,555)	-	(3,584)	(1)
8399	Income tax relating to items that may be reclassified subsequently to profit or loss	<u>16</u>	<u>-</u>	<u>5</u>	<u>-</u>
8300	Other comprehensive income/(loss) for the year (net of income tax)	<u>771,891</u>	<u>30</u>	<u>325,057</u>	<u>16</u>

<u>Code</u>		<u>2021</u>		<u>2020</u>	
		<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
8500	Total comprehensive income	<u>\$ 1,222,778</u>	<u>48</u>	<u>\$ 690,082</u>	<u>35</u>
	Earnings per share (Note 26)				
	From continuing operations				
9710	Basic	<u>\$ 1.51</u>		<u>\$ 1.22</u>	
9810	Diluted	<u>\$ 1.51</u>		<u>\$ 1.22</u>	

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

Chairman: Hsin-En Wu President: Hsin-En Wu Accounting Manager: Su-Juan Ke

hinkong Textile Co., Ltd.
Parent Company Only Statements of Changes in Equity
January 1 to March 31, 2021 and 2020

(In Thousands of New Taiwan Dollars)

Code		Share capital		Capital surplus	Retained earnings		Unappropriated earnings	Other equity		Treasury share	Total Equity
		Number of Shares (In Thousand Shares)	Amount		Legal reserve	Special reserve		Exchange Difference 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, 2020	300,041	\$ 3,000,413	\$ 6,916	\$ 421,099	\$ 1,006,548	\$ 912,129	(\$ 1,416)	\$ 3,371,877	(\$ 13,174)	\$ 8,704,392
B1	Appropriation and distribution of earnings for 2019:										
	Legal reserve	-	-	-	38,812	-	(38,812)	-	-	-	-
B5	Cash dividends to shareholders of the Company	-	-	-	-	-	(300,041)	-	-	-	(300,041)
M1	Other changes in capital surplus:										
	Changes in capital surplus from dividends paid to subsidiaries	-	-	804	-	-	-	-	-	-	804
M7	Changes in percentage of ownership interests in subsidiaries	-	-	-	-	-	(8,064)	-	-	-	(8,064)
T1	Dividends not collected before the designated date	-	-	191	-	-	-	-	-	-	191
Q1	Disposal of investments in equity instruments at fair value through other comprehensive income	-	-	-	-	-	18,614	-	(18,614)	-	-
D1	Net income in 2020	-	-	-	-	-	365,025	-	-	-	365,025
D3	Other comprehensive income in 2020, net of tax	-	-	-	-	-	3,110	(3,603)	325,550	-	325,057
D5	Total comprehensive income in 2020	-	-	-	-	-	368,135	(3,603)	325,550	-	690,082
Z1	Balance at December 31, 2020	300,041	3,000,413	7,911	459,911	1,006,548	951,961	(5,019)	3,678,813	(13,174)	9,087,364
B1	Appropriation of 2020 earnings										
	Legal reserve	-	-	-	37,869	-	(37,869)	-	-	-	-
B5	Cash dividends to shareholders of the Company	-	-	-	-	-	(300,041)	-	-	-	(300,041)
M1	Other changes in capital surplus:										
	Changes in capital surplus from dividends paid to subsidiaries	-	-	804	-	-	-	-	-	-	804
T1	Dividends not collected before the designated date	-	-	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

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

Chairman: Hsin-En Wu President: Hsin-En Wu Accounting Manager: Su-Juan Ke

Shinkong Textile Co., Ltd.
Parent Company Only Statements of Cash Flows
January 1 to March 31, 2021 and 2020
(In Thousands of New Taiwan Dollars)

Code		2021	2020
	Cash flows from operating activities		
A10000	Income before income tax	\$ 466,844	\$ 376,101
A20010	Adjustments:		
A20100	Depreciation	113,354	121,418
A20200	Amortization	1,852	1,568
A20300	Expected credit losses	497	650
A20400	Net (gain) loss on fair value change of financial assets and liabilities as at FVTPL	(12,012)	4,275
A20900	Finance costs	21,407	21,158
A21200	Interest income	(648)	(1,950)
A21300	Dividend income	(279,724)	(232,894)
A22400	Share of profit or loss of subsidiaries and associates accounted for using the equity method	(96,439)	(117,840)
A22500	Loss (gain) on disposal of property, plant and equipment	4,898	(150)
A23700	Write-downs of inventories	-	20,489
A23800	Gain from price recovery of inventories	(21,024)	-
A24500	Dividends not collected before the designated date reclassified to capital surplus	213	191
A29900	Gains (losses) on lease modification	-	98
A30000	Changes in operating assets and liabilities, net		
A31130	Notes receivable	(22,532)	(270)
A31150	Accounts receivable	(80,342)	(115,871)
A31180	Other receivables	9,367	22,059
A31200	INVENTORIES	(289,265)	14,895
A31230	Prepayments	(1,606)	(47)
A31240	Other current assets	7,725	(6,895)
A32125	Contract liabilities	(23,941)	11,927
A32130	Notes payable	184,267	8,953
A32150	Accounts payable	45,722	(1,118)
A32180	Other payables	34,943	(653)
A32230	Other current liabilities	21,507	204
A32240	Net defined benefit liabilities	(879)	(819)
A33000	Cash generated from operations	84,184	125,479

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Code		2021	2020
A33300	Interest paid	(21,441)	(21,580)
A33500	Income tax paid	(26,195)	(30,576)
AAAA	Net cash generated from operating activities	<u>36,548</u>	<u>73,323</u>
Cash flows from investing activities			
B00010	Acquisition of financial assets at fair value through other comprehensive income	(130,494)	(125,717)
B00020	Disposal of the financial assets at fair value through other comprehensive income	53	24,394
B00030	Proceeds from capital reduction of financial assets at fair value through other comprehensive income	16,569	28,257
B00050	Disposal of financial assets at amortized cost	-	2,250
B00100	Acquisition of financial assets at fair value through profit or loss	(71,182)	(176,587)
B00200	Disposal of financial assets at fair value through profit or loss	98,986	90,341
B01800	Acquisition of long-term investment in shares accounted for using the equity method	(9,665)	(9,607)
B02000	Increase in prepayments for investments	(100,000)	-
B02700	Acquisition of property, plant, and equipment	(107,557)	(28,782)
B02800	Proceeds from disposal of property, plant, and equipment	1,548	150
B03700	Increase in refundable deposits	(5,843)	-
B03800	Decrease in refundable deposits	-	1,647
B04300	Other receivables from related parties	(73,328)	-
B04500	Acquisition of intangible assets	(1,972)	(814)
B07100	Increase in prepayments for equipment	(12,640)	(39,349)
B07500	Interest received	648	1,950
B07600	Dividends received from subsidiaries/associates	47,797	60,289
B07600	Other dividends received	<u>279,724</u>	<u>232,894</u>
BBBB	Net cash provided by (used in) investing activities	(<u>67,356</u>)	<u>61,316</u>
Cash flows from financing activities			
C00100	Proceeds from short-term borrowings	530,000	-
C00200	Decrease in short-term borrowings	-	(60,000)
C00500	Increase in short-term bills payable	270,000	270,000
C01700	Repayments of long-term borrowings	(190,000)	-
C03000	Proceeds from guarantee deposits received	-	1,177
C03100	Refund of guarantee deposits received	(1,214)	-
C04020	Repayment of the principal portion of lease liabilities	(37,426)	(38,321)

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<u>Code</u>		<u>2021</u>	<u>2020</u>
C04500	Dividends paid	(<u>300,041</u>)	(<u>300,041</u>)
CCCC	Net cash provided by (used in) financing activities	<u>271,319</u>	(<u>127,185</u>)
EEEE	Net increase in cash and cash equivalents	240,511	7,454
E00100	Cash and cash equivalents at beginning of year	<u>506,335</u>	<u>498,881</u>
E00200	Cash and cash equivalents at end of year	<u>\$ 746,846</u>	<u>\$ 506,335</u>

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

Chairman: Hsin-En Wu President: Hsin-En Wu Accounting Manager: Su-Juan Ke

Shinkong Textile Co., Ltd.
Notes to Parent Company Only Financial Statements
January 1 to March 31, 2021 and 2020
(Amounts in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

I. General Information

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 cotton yarn, CVC yarn, 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 21, 2022.

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 Group:

COVID-19 related rent concessions (amendment to IFRS 16) and COVID-19-related Rent Concessions beyond June 30, 2021

The Company applies to the equity method and negotiates COVID-19-related rent concessions with the lessor. Related accounting policy refers to Note 4. Before amendment is applied, the Company shall decide whether the rent negotiation previously mentioned applies to the lease amendment.

The Company applies to such amendment from Jan 1, 2021.

(II) Adoption of IFRSs endorsed by the FSC from 2022 onward

New/Revised/Amended Standards and Interpretations	Effective Date Announced by International Accounting Standards Board (IASB)
Annual Improvements to IFRSs 2018-2020	January 1, 2022 (Note 1)
Amendments to IFRS 3 "Reference to the Conceptual Framework"	January 1, 2022 (Note 2)
Amendments to IAS 16 "Property, Plant and Equipment: Proceeds before Intended Use"	January 1, 2022 (Note 3)
Amendments to IAS 37 "Onerous Contracts - Cost of Fulfilling a Contract"	January 1, 2022 (Note 4)

Note 1: The amendments to IFRS 9 apply to the exchanges of financial liabilities or the alterations in its terms that occur during the annual reporting periods beginning on or after January 1, 2022. The amendments to IAS 41 "Agriculture" apply to the fair value measurements during the annual reporting periods beginning on or after January 1, 2022. The amendments to IFRS 1 "First-time Adoptions of IFRSs" apply retrospectively for annual reporting periods beginning on or after January 1, 2022.

Note 2: The amendments apply to business combinations with acquisition dates in annual reporting periods beginning on or after January 1, 2022.

Note 3: The amendments apply to property, plant and equipment that arrived at the location and achieved the condition required for their operating method expected by the management on or after January 1, 2021.

Note 4: The amendments apply to contracts with unfulfilled obligations on or after January 1, 2022.

As of the date of authorization of the parent company only financial statements, the Company has assessed the effects of amendments to other standards and interpretations on its financial conditions and performance, so as to avoid material influence.

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

New/Revised/Amended Standards and Interpretations	Effective Date Issued by IASB (Note 1)
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be decided
IFRS 17 "Insurance Contracts"	January 1, 2023
Amendments to IFRS 17	January 1, 2023

New/Revised/Amended Standards and Interpretations	Effective Date Issued by IASB (Note 1)
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, 2023
Amendments to IAS 1 "Disclosure Initiative - Accounting Policies"	January 1, 2023 (Note 2)
Amendments to IAS 8 "Definition of Accounting Estimates"	January 1, 2023 (Note 3)
Amendments to IAS 12 "Deferred Tax related to Assets and Liabilities Arising from Single Transaction"	January 1, 2023 (Note 4)

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

Note 2: The amendments apply prospectively to annual reporting periods beginning on or after January 1, 2023.

Note 3: The amendments apply to changes in accounting estimates and accounting policies on or after January 1, 2023.

Note 4: The amendments are 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 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.

V. 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 into three levels 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., derived from prices); and
3. Level 3 inputs are unobservable inputs for the asset or liability.

When preparing the parent company only financial statements, the Company accounts for investments in subsidiaries, associates, or joint ventures using the equity method. In order to align profit or loss, other comprehensive income, and equity of the current year in the parent company only financial statements with those attributable to the owners of the Company in the consolidated financial statements, the differences in accounting treatment with parent company only and consolidated basis have led to adjustments in "investments accounted for using the equity method", "share of profit or loss of subsidiaries, associates, and joint ventures accounted for using the equity method", "share of other comprehensive income of subsidiary , associates, and joint ventures accounted for using the equity method" and related equity items.

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

Current assets include:

1. Assets held for trading purposes;
2. Assets expected to be realized within 12 months after the balance sheet date; and
3. Cash and 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 incurred 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, transactions denominated in a currency other than the Company's functional currency (i.e., foreign currency) are translated

into the Company's 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 income, where the resulting exchange difference is recognized in other comprehensive income.

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 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 income.

On the disposal 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 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 Company losing control over the subsidiary, the proportionate share of accumulated exchange differences is included in the calculation of equity transactions 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 and work in progress. 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) Investments in Subsidiaries

The Company accounts for its investments in subsidiaries using the equity method,

"Subsidiary" refers to any entity (including structural entity) under the control of 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 income 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 loss share of the Company to the associates is equal to, or more than, its equity in the associates (including the carrying amount of the investment in the associate under the equity method and other long-term equity that is substantially a part of the net investment component of the Company to the associates), the recognition of further loss shall be stopped.

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 income 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 income 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 and joint ventures 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.

When the Corporation's share of losses of an associate equals or exceeds its interest in that associate (including any carrying amount of the investment accounted for using the equity method and long-term interests that, in substance, form part of the Corporation's net investment in the associate), the Corporation shall cease recognition of further losses. 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 income 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 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 classified into the appropriate categories of PP&E and depreciated when they are completed and ready for their intended use.

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.

Self-owned investment property is initially measured at cost, including transaction costs. Subsequent to initial recognition, investment property is measured at cost less accumulated depreciation and accumulated impairment loss. 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 properties, intangible assets and assets related to the contract costs

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

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

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

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

When the impairment loss is subsequently reversed, the carrying amount of the asset or cash-generating unit or the contract cost-related assets shall increase to the revised recoverable amount. Still, the increased carrying amount shall not exceed the carrying amount (less amortization or depreciation) of the asset, cash-generating unit, or the contract cost-related assets without impairment loss recognized in the previous year. A reversal of an impairment loss is recognized in profit or loss.

(XII) 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) Measurement Types

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 income.

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 income, 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 income.

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 XXX 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 contractual terms give rise to cash flows on specified dates that are solely payments of principal and interest on the principal amount 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 income

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 business combination to be measured at fair value through other comprehensive income.

Investments in equity instruments at fair value through other comprehensive income are measured at fair value, and any subsequent fair value changes are recognized in other comprehensive income 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 income 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

On each balance sheet date, the Company assesses the impairment loss of financial assets at amortized cost (including trade receivable) according to the expected credit loss, debt instrument investment measured at fair value through other comprehensive income, lease receivables and contract assets.

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 repay the debt.
- B. It is more than 90 days overdue, unless there is reasonable and verifiable information to show that the deferred default basis 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 income where the impairment loss is recognized in other comprehensive income 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 income in its entirety, the difference between the carrying amount and the consideration received plus the cumulative gain or loss already recognized in other comprehensive income is recognized in profit or loss. On derecognition of investments in equity instruments at fair value through other comprehensive income 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 repurchase of the Company's own equity instruments is recognized in and deducted directly from equity. The purchase, sale, issuance, or cancellation of the Company's own equity instruments is not recognized in 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 a financial liability is de-recognized, the difference between its carrying amount and the paid consideration (including any transferred non-cash assets or liabilities assumed) shall be recognized in profit or loss.

(XIII). 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.

(XIV) Leases

The Corporation evaluates whether a contract is (or includes) a lease on the contract establishment date.

1. 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.

Variable lease payments that are not determined by an index or a rate are recognized as income in the periods in which they are incurred.

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. The Company is a Lessor

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 shall be initially measured as the present value of 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. If there is a change in future lease payments due to changes in the assessment of the lease term, the amounts expected to be paid under residual value guarantees, and purchase option of the underlying assets, or a change in the index or rate used to determine lease payments, the Company shall remeasure the lease liabilities and adjusts the right-of-use assets accordingly. However, if the carrying amount of the right-of-use assets has been reduced to zero, the remaining remeasured amount 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 negotiated with the Lessor about COVID-19-related rent concessions to reduce the rent which was due before June 30, 2022. Such negotiation has no major impact on other lease terms. The Company adopts the equity method to account all rent negotiation that meet previous conditions. Whether such negotiation is lease amendment is not assessed. Instead, the rent concession is recognized as profit or loss when the concession event or situation occurs (the depreciation expense of right-of-use assets shall be recorded in the account), and the lease liabilities shall be correspondingly reduced.

(XV) 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.

(XVI) Government subsidy

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.

(XVII). 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. Benefits after retirement

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

The net defined benefit-cost of defined benefit retirement plan (including service cost, net interest, and remeasurement) is calculated by the expected unit benefit method. The service cost, including the current service cost, and the net interest of the net defined benefit liabilities (assets) are recognized as employee benefit expenses when incurred. Remeasurement (comprising actuarial gains and losses, and return on plan assets net of interests) is recognized in other comprehensive income and included in retained earnings, and is not recycled to profit or loss in subsequent periods.

Net defined benefit liabilities (assets) is the shortfall (surplus) for defined benefit pension plans. 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.

(XIII) Income Tax

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

1. Current Income Tax

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 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 tax liabilities are generally recognized based on all taxable temporary differences. Deferred 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 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 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 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 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 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 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 tax

Current and deferred income taxes are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current tax and deferred income tax are also recognized in other comprehensive income 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 takes into account the recent development of COVID-19 in Taiwan and its possible impact on the economic environment in the estimation of cash flow, growth rate, discount rate, profitability and other relevant significant accounting estimates, and the management will constantly review the estimations and underlying 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.

VI. Cash and cash equivalent

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Cash on hand and working capital	\$ 893	\$ 769
Checks and demand deposits in banks	<u>745,953</u>	<u>505,566</u>
	<u>\$ 746,846</u>	<u>\$ 506,335</u>

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

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Bank deposits	0.001%~0.2%	0.001%~0.2%

VII. Financial Instruments at Fair Value through Profit or Loss

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
<u>Financial assets - current</u>		
Designated as at fair value through profit or loss		
- TWSE/TPEX-listed and emerging stocks	\$ 44,860	\$ 35,846
Mandatorily measured at fair value through profit		
- Fund beneficiary certificates	<u>127,602</u>	<u>151,683</u>
	<u>\$ 172,462</u>	<u>\$ 187,529</u>

VIII. Financial Assets at Fair Value through Other Comprehensive Income - Investments in Equity Instruments

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
<u>Current</u>		
Domestic Investment		
Stocks listed on TWSE or TPEX	<u>\$ 1,764,409</u>	<u>\$ 1,240,057</u>
<u>Non-current</u>		
Domestic Investment		
Stocks listed on TWSE or TPEX	\$ 2,927,073	\$ 2,477,176
Stocks unlisted on TWSE or TPEX	<u>1,672,275</u>	<u>1,739,119</u>
Sub-Total	<u>\$ 4,599,348</u>	<u>\$ 4,216,295</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 income 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 XXXII for details of investments in equity instruments at fair value through other comprehensive income pledged.

IX. Financial Assets at Amortized Cost

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
<u>Non-current</u>		
Domestic Investment		

Time deposits with original
maturities over three
months

\$ 1,800

\$ 1,800

(I) As of December 31, 2021 and 2020, the interest rate ranges of time deposits with original maturities over three months were 0.65% to 0.765% and 0.41% 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 and the pledged periods.

(III) Please refer to Note 32 for details of financial assets at amortized cost pledged.

X. Notes and accounts receivable

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
<u>Notes receivable</u>		
Measured at amortized cost		
Total carrying amount	\$ 29,684	\$ 7,152
Less: loss allowance	<u>-</u>	<u>-</u>
	<u>\$ 29,684</u>	<u>\$ 7,152</u>
<u>Accounts receivable</u>		
Measured at amortized cost		
Total carrying amount	\$ 357,072	\$ 284,381
Less: loss allowance	(<u>1,302</u>)	(<u>1,664</u>)
	<u>\$ 355,770</u>	<u>\$ 282,717</u>
Accounts receivable - related parties (Note 31)	<u>\$ 44,700</u>	<u>\$ 37,908</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.

Loss allowances for notes and accounts receivables based on the provision matrix are as follows:

December 31, 2021

	Billed 1~60 Days	Billed 61~120 Days	Billed 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
Allowance for loss (expected credit losses during the period)	(<u>56</u>)	(<u>324</u>)	(<u>255</u>)	(<u>667</u>)	(<u>1,302</u>)
Amortized cost	<u>\$ 379,827</u>	<u>\$ 24,757</u>	<u>\$ 23,308</u>	<u>\$ 2,262</u>	<u>\$ 430,154</u>

December 31, 2020

	Billed 1~60 Days	Billed 61~120 Days	Billed 121~180 Days	Billed over 180 Days	Total
ECL rate	0.01%~0.15%	2.17%~3.42%	4.85%~16.48%	11.94%~100%	
Total carrying amount	\$ 308,169	\$ 19,227	\$ 892	\$ 1,153	\$ 329,441
Allowance for loss (expected credit losses during the period)	(<u>157</u>)	(<u>402</u>)	(<u>62</u>)	(<u>1,043</u>)	(<u>1,664</u>)
Amortized cost	<u>\$ 308,012</u>	<u>\$ 18,825</u>	<u>\$ 830</u>	<u>\$ 110</u>	<u>\$ 327,777</u>

Changes in loss allowances for accounts receivables are as follows:

	2021	2020
Beginning balance	\$ 1,664	\$ 1,014
Add: Impairment loss provided for in the year	497	650
Less: Actual write-off in the current year	(<u>859</u>)	-
Ending balance	<u>\$ 1,302</u>	<u>\$ 1,664</u>

XI. Inventories

	December 31, 2021	December 31, 2020
Finished goods	\$ 237,251	\$ 158,719
Work in progress	180,444	61,972
Raw materials	149,968	64,792
Merchandise inventories	<u>189,163</u>	<u>161,054</u>
	<u>\$ 756,826</u>	<u>\$ 446,537</u>

The cost of goods sold related to inventories for the years ended December 31, 2021 and 2020 was NT\$1,930,334 thousand and NT\$1,410,896 thousand respectively. The cost of goods sold for the years ended December 31, 2021 and 2020 included gain from price recovery of NT\$21,024 thousand and inventory write-down NT\$20,489 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, 2021</u>	<u>December 31, 2020</u>
Investment in subsidiaries	\$ 1,670,058	\$ 1,636,568
Investment in associates	<u>705,251</u>	<u>695,686</u>
	<u>\$ 2,375,309</u>	<u>\$ 2,332,254</u>

(I) Investments in Subsidiaries

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Shinkong Asset Management Co., Ltd.	\$ 1,672,597	\$ 1,638,340
SK INNOVATION CO., LTD.	10,635	11,402
Reclassified to treasury shares (Note 22(5))	(<u>13,174</u>)	(<u>13,174</u>)
	<u>\$ 1,670,058</u>	<u>\$ 1,636,568</u>

	Percentage of Ownership Interest and Voting Rights	
<u>Name of subsidiary</u>	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Shinkong Asset Management Co., Ltd.	100%	100%
SK INNOVATION CO., LTD.	100%	100%

The share of profit or loss and other comprehensive income of subsidiaries accounted for using the equity method for the years ended December 31, 2021 and 2020 is calculated based on the subsidiaries' audited financial statements for the same periods.

(II) Investment in associates

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
<u>Associates that are individually material</u>		
Non-publicly traded company		
Lian Quan Investment Co., Ltd.	\$ 384,759	\$ 364,139
Shang De Motor Co., Ltd.	<u>278,104</u>	<u>264,006</u>
	<u>662,863</u>	<u>628,145</u>
<u>Associates that are not individually material</u>		
WPI-High Street LLC	<u>42,388</u>	<u>67,541</u>
	<u>\$ 705,251</u>	<u>\$ 695,686</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:

<u>Name of Company</u>	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Lian Quan Investment Co., Ltd.	48.89%	48.89%
Shang De Motor Co., Ltd.	33.50%	33.50%

Please refer to Table V "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 share of profit or loss and other comprehensive income of these associates are calculated based on the associates' audited financial statements for the same periods.

All the aforementioned associates are accounted for using the equity method.

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.

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Current assets	\$ 9,067	\$ 10,482
Non-current assets	988,850	965,140
Current liabilities	(210,928)	(230,809)
EQUITY	<u>\$ 786,989</u>	<u>\$ 744,813</u>
Shareholding Ratio of the Corporation	48.89%	48.89%
Interests of the Company	<u>\$ 384,759</u>	<u>\$ 364,139</u>
Carrying amount of investments	<u>\$ 384,759</u>	<u>\$ 364,139</u>
	<u>2021</u>	<u>2020</u>
Operating revenue	<u>\$ 22,428</u>	<u>\$ 22,365</u>
Net income	\$ 18,465	\$ 18,453
Other comprehensive income	<u>23,711</u>	<u>11,628</u>
Total comprehensive income	<u>\$ 42,176</u>	<u>\$ 30,081</u>

Shang De Motor Co., Ltd.

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Current assets	\$ 835,110	\$ 828,446
Non-current assets	496,513	538,542
Current liabilities	(741,851)	(878,988)
Non-current liabilities	(167,543)	(107,855)
EQUITY	<u>\$ 422,229</u>	<u>\$ 380,145</u>
Shareholding Ratio of the Corporation	33.50%	33.50%
Interests of the Company	\$ 141,446	\$ 127,348
investment premium	<u>136,658</u>	<u>136,658</u>
Carrying amount of investments	<u>\$ 278,104</u>	<u>\$ 264,006</u>
	<u>2021</u>	<u>2020</u>
Operating revenue	<u>\$ 3,324,034</u>	<u>\$ 3,676,067</u>
Net income	<u>\$ 83,356</u>	<u>\$ 53,336</u>
Total comprehensive income	<u>\$ 83,356</u>	<u>\$ 53,336</u>

2. Aggregate information of associates that are not individually material

WPI-High Street, LLC

	<u>2021</u>	<u>2020</u>
The Company's share of:		
Net profit of continuing operations	\$ 9,061	\$ 22,786
Other comprehensive income	(35,398)	(4,483)
Total comprehensive income	<u>(\$ 26,337)</u>	<u>\$ 18,303</u>

XIII. Property, plant and equipment

	<u>Land</u>	<u>Buildings</u>	<u>Machinery and 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>Costs</u>									
Balance as of 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
Disposal	-	(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 as of January 1, 2021	\$ -	\$ 236,945	\$ 440,474	\$ 6,510	\$ 73,231	\$ 81,182	\$ 11,968	\$ -	\$ 850,310
Depreciation	-	1,804	27,160	736	4,186	8,851	7,517	-	50,254
Disposal	-	(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 balance 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>
<u>Costs</u>									
Balance at January 1, 2020	\$ 92,452	\$ 245,528	\$ 539,223	\$ 7,625	\$ 84,041	\$ 106,344	\$ 45,051	\$ 156	\$ 1,120,420
Additions	-	-	631	-	219	12,762	-	15,170	28,782

Reclassifications	-	-	11,141	-	1,300	3,553	2,328	(11,870)	6,452
Disposal	-	-	(229)	-	(680)	(945)	(32,220)	-	(34,074)
Balance at December 31, 2020	\$ 92,452	\$ 245,528	\$ 550,766	\$ 7,625	\$ 84,880	\$ 121,714	\$ 15,159	\$ 3,456	\$ 1,121,580
<u>Accumulated depreciation and impairment</u>									
Balance at January 1, 2020	\$ -	\$ 235,670	\$ 410,363	\$ 5,726	\$ 68,928	\$ 73,343	\$ 30,602	\$ -	\$ 824,632
Depreciation	-	1,275	30,340	784	4,983	8,784	13,586	-	59,752
Disposal	-	-	(229)	-	(680)	(945)	(32,220)	-	(34,074)
Balance at December 31, 2020	\$ -	\$ 236,945	\$ 440,474	\$ 6,510	\$ 73,231	\$ 81,182	\$ 11,968	\$ -	\$ 850,310
Net balance at December 31, 2020	\$ 92,452	\$ 8,583	\$ 110,292	\$ 1,115	\$ 11,649	\$ 40,532	\$ 3,191	\$ 3,456	\$ 271,270

Unrecognized or reversal on impairment loss in 2021 and 2020.

Depreciation of PP&E on a straight-line basis is calculated according to the following useful lives:

Building	
Main building of the plant	15~50 years
Others	3~10 years
Machinery and Equipment	2~15 years
Transportation Equipment	5~7 years
Hydropower Equipment	5~40 years
Miscellaneous Equipment	1~20 years
Lease Improvement	1~5 years

XIV. Lease Agreements

(I) Right-of-use assets

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Carrying amount of right-of-use assets		
Building	\$ 143,552	\$ 92,813
Office equipment	605	450
Transportation Equipment	2,631	1,798
Other equipment	162	552
	<u>\$ 146,950</u>	<u>\$ 95,613</u>
	<u>2021</u>	<u>2020</u>
Additions to right-of-use assets	<u>\$ 114,246</u>	<u>\$ 1,319</u>
Disposal of right-of use assets	<u>\$ 15</u>	<u>\$ 6,410</u>
Depreciation of right-of-use assets		
Building	\$ 38,056	\$ 35,893
Office equipment	289	288
Transportation Equipment	2,136	2,177
Other equipment	390	390
	<u>\$ 40,871</u>	<u>\$ 38,748</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 2021 and 2020.

(II) Lease liabilities

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Carrying amount of lease liabilities		
Current	<u>\$ 46,002</u>	<u>\$ 36,117</u>
Non-current	<u>\$ 105,094</u>	<u>\$ 60,887</u>
Discount rate ranges for lease liabilities are as follows:		
	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Building	0.946%~1.008%	0.952%~1.008%
Office equipment	0.934%~1.008%	0.981%~1.008%
Transportation Equipment	0.915%~1.008%	1.003%~1.008%
Other equipment	1.008%	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 costs in 2021.

(IV) Other lease information

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

	<u>2021</u>	<u>2020</u>
Short-term lease expenses	<u>\$ 2,937</u>	<u>\$ 1,404</u>
Total cash (outflow) for leases	<u>(\$ 41,227)</u>	<u>(\$ 40,877)</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>Costs</u>			
Balance as of 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 as of January 1, 2021	\$ -	\$ 679,815	\$ 679,815
Depreciation	-	<u>23,002</u>	<u>23,002</u>
Balance at December 31, 2021	<u>\$ -</u>	<u>\$ 702,817</u>	<u>\$ 702,817</u>
Net balance at December 31, 2021	<u>\$ 2,234,993</u>	<u>\$ 408,794</u>	<u>\$ 2,643,787</u>
<u>Costs</u>			
Balance at January 1, 2020	<u>\$ 2,234,993</u>	<u>\$ 1,111,611</u>	<u>\$ 3,346,604</u>
Balance at December 31, 2020	<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, 2020	\$ -	\$ 656,814	\$ 656,814
Depreciation	-	<u>23,001</u>	<u>23,001</u>
Balance at December 31, 2020	<u>\$ -</u>	<u>\$ 679,815</u>	<u>\$ 679,815</u>
Net balance at December 31, 2020	<u>\$ 2,234,993</u>	<u>\$ 431,796</u>	<u>\$ 2,666,789</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, 2021</u>	<u>December 31, 2020</u>
Year 1	\$ 150,106	\$ 147,270
Year 2	132,589	125,356
Year 3	110,875	108,153
Year 4	85,829	88,538
Year 5	55,052	73,395
Over 5 years	<u>266,301</u>	<u>311,511</u>
	<u>\$ 800,752</u>	<u>\$ 854,223</u>

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

Building

31~50 years

The fair value of investment real estate as of the year ended on December 31, 2021 and 2020 by appraiser Zhen-Xing Lin and Yu-Hua Luo from qualified Dawa Real Estate Appraisal Firm. The comparison method and income approaches were adopted. The fair values of investment properties were as follows:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Fair value	<u>\$ 12,059,048</u>	<u>\$ 9,750,016</u>

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

XVI. Other intangible assets

	<u>Computer Software</u>
<u>Costs</u>	
Balance as of January 1, 2021	\$ 5,154
Separate acquisition	1,972
Reclassifications	-
Disposal	(2,413)
Balance at December 31, 2021	<u>\$ 4,713</u>
<u>Accumulated amortization and impairment</u>	
Balance as of January 1, 2021	\$ 2,936
Amortization	1,852
Disposal	(2,413)
Balance at December 31, 2021	<u>\$ 2,375</u>
Net balance at December 31, 2021	<u>\$ 2,338</u>
<u>Costs</u>	
Balance at January 1, 2020	\$ 22,448
Separate acquisition	814
Reclassifications	220
Disposal	(18,328)
Balance at December 31, 2020	<u>\$ 5,154</u>
<u>Accumulated amortization and impairment</u>	
Balance at January 1, 2020	\$ 19,696
Amortization	1,568
Disposal	(18,328)
Balance at December 31, 2020	<u>\$ 2,936</u>
Net balance at December 31, 2020	<u>\$ 2,218</u>

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

Computer Software	1~5 years
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XVII. Other assets

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
<u>Current</u>		
Prepaid expenses	\$ 13,432	\$ 13,697
Prepayments to suppliers	44,509	42,638
Prepayments for investments	100,000	-
Other financial assets	-	5,348
Others	12	2,389
	<u>\$ 157,953</u>	<u>\$ 64,072</u>

The prepaid investment is 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, 2021</u>	<u>December 31, 2020</u>
<u>Non-current</u>		
Prepayments for equipment	\$ 17,016	\$ 33,876
Refundable deposits	16,822	10,979
Net defined benefit assets (Note 21)	2,874	7,986
	<u>\$ 36,712</u>	<u>\$ 52,841</u>

XVIII. Borrowings

(I) Short-term borrowings

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
<u>Secured borrowings</u> (Note 32)		
-Bank loan	\$ 1,680,000	\$ 1,350,000
<u>Unsecured borrowings</u>		
Line of credit loans	200,000	-
	<u>\$ 1,880,000</u>	<u>\$ 1,350,000</u>

The ranges of interest rates on bank borrowings were 0.85% to 0.95% and 0.93% to 0.96% as of December, 31, 2021 and 2020, respectively.

(II) Short-term bills payable

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Commercial paper payable	\$ 1,130,000	\$ 860,000
Less: Discounts on short-term bills payable	(<u>1,354</u>)	(<u>1,151</u>)
	<u>\$ 1,128,646</u>	<u>\$ 858,849</u>

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

December 31, 2021

Guarantor/Accepting Institution	Nominal Amount	Discounted Amount	Carrying amount	Interest Rate	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 Corporation (I)	60,000	(62)	59,938	0.640%	None	None
Taiwan Finance Corporation (II)	70,000	(72)	69,928	0.640%	None	None
Taiwan Cooperative Bills	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
The Shanghai Commercial & Savings Bank, LTD. (I)	100,000	(41)	99,959	0.330%	None	None
The 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>			

December 31, 2020

Guarantor/Accepting Institution	Nominal Amount	Discounted Amount	Carrying amount	Interest Rate	Collateral	Carrying Amount of Collateral
International Bills Finance Corporation (I)	\$ 50,000	(\$ 87)	\$ 49,913	0.620%	None	None
International Bills Finance Corporation (II)	150,000	(208)	149,792	0.620%	None	None
Ta Ching Bills Finance Corporation (I)	40,000	(56)	39,944	0.710%	None	None
Ta Ching Bills Finance Corporation (II)	50,000	(17)	49,983	0.710%	None	None
China Bills Finance Corporation	170,000	(361)	169,639	0.250%	None	None
Taiwan Finance Corporation	100,000	(66)	99,934	0.660%	None	None

Taiwan Cooperative Bills (I)	70,000	(35)	69,965	0.810%	None	None
Taiwan Cooperative Bills (II)	60,000	(83)	59,917	0.810%	None	None
Taiwan Cooperative Bills (III)	70,000	(46)	69,954	0.810%	None	None
Mega Bills Finance Co., Ltd.	<u>100,000</u>	<u>(192)</u>	<u>99,808</u>	0.600%	None	None
	<u>\$ 860,000</u>	<u>(\$ 1,151)</u>	<u>\$ 858,849</u>			

(III) Long-term borrowings

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
<u>Secured borrowings</u> (Note 32)		
Bank borrowings	\$ -	\$ 190,000
Less: the amount due within 1 year	-	(190,000)
Long-term borrowings	<u>\$ -</u>	<u>\$ -</u>

1. In June 2020, the Company obtained NT\$190,000 thousand from the drawdown of a new bank borrowing which is due on June 25, 2021. The effective interest rate is 0.97% p.a. with monthly interest payments and full repayment on principal in May 2021 in advance.
2. The above long-term borrowings were secured by the pledge of the Company's investment property (Please refer to Note 32).

XIX. Notes and accounts receivable

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, 2021</u>	<u>December 31, 2020</u>
<u>Current</u>		
Other payables		
Salaries and bonus payable	\$ 44,525	\$ 33,903
Employee compensation payable	9,700	7,400
Director and supervisor remuneration payable	9,700	7,400
Tax payable	2,746	2,759
Pension payable	2,196	2,059
Electricity and fuels payable	2,362	817
Interest payable	715	546
Services expense payable	1,000	890
Machinery and equipment payable	602	1,324
Investment payable	1,458	733
Others	<u>41,616</u>	<u>22,887</u>
	<u>\$ 116,620</u>	<u>\$ 80,718</u>

Other payables - related parties (Note 31)	<u>\$ 1,166</u>	<u>\$ 1,231</u>
Other liabilities		
Receipts under custody	\$ 2,367	\$ 2,006
Temporary credits	21,289	143
Deferred revenue	<u>28</u>	<u>111</u>
	<u>\$ 23,684</u>	<u>\$ 2,260</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>2021</u>	<u>2020</u>
Beginning balance	\$ 111	\$ 194
Amortization for the period (recognized as deductions to depreciation)	(<u>83</u>)	(<u>83</u>)
Ending balance	<u>\$ 28</u>	<u>\$ 111</u>

XXI. Retirement 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, 2021</u>	<u>December 31, 2020</u>
Present value of defined benefit obligation	\$ 48,268	\$ 41,339
Fair value of plan assets	(<u>51,142</u>)	(<u>49,325</u>)
Net defined benefit assets	(<u>\$ 2,874</u>)	(<u>\$ 7,986</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, 2020	<u>\$ 42,554</u>	(<u>\$ 46,611</u>)	(<u>\$ 4,057</u>)
Current service costs	135	-	135
Interest expenses (income)	<u>319</u>	(<u>353</u>)	(<u>34</u>)
Recognized in profit or loss	<u>454</u>	(<u>353</u>)	<u>101</u>
Remeasurements			
Return on plan assets (excluding amounts that	-	(1,516)	(1,516)

are included in net interest)			
Actuarial losses - changes in financial assumptions	888	-	888
Actuarial losses - experience adjustments	(<u>2,482</u>)	<u>-</u>	(<u>2,482</u>)
Recognized in other comprehensive income	(<u>1,594</u>)	(<u>1,516</u>)	(<u>3,110</u>)

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	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit assets
Contributions from the employer	\$ -	(\$ 920)	(\$ 920)
Plan assets paid	(75)	75	-
Balance at December 31, 2020	<u>41,339</u>	<u>(49,325)</u>	<u>(7,986)</u>
Service costs			
Current service costs	105	-	105
Interest expenses (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 income	<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>

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

1. 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 yield 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, 2021</u>	<u>December 31, 2020</u>
Discount rate	0.625%	0.500%
Expected rate of salary increase	2.250%	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, 2021</u>	<u>December 31, 2020</u>
Discount rate		
Increase by 0.25%	(\$ 941)	(\$ 889)
Decrease by 0.25%	\$ 971	\$ 919
Expected rate of salary increase		
Increase by 0.25%	\$ 939	\$ 887
Decrease by 0.25%	(\$ 915)	(\$ 863)

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, 2021</u>	<u>December 31, 2020</u>
Expected contributions to the plan for the next year	\$ 969	\$ 930
Average duration of defined benefit obligations	7.8 years	8.6 years

XXII. Equity

(I) Capital

Common shares

	<u>December 31, 2021</u>	<u>December 31, 2020</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)	300,041	300,041
Share capital issued	\$ 3,000,413	\$ 3,000,413

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, 2021</u>	<u>December 31, 2020</u>
<u>May not be used for any purpose</u>		
Treasury share transactions	\$ 7,540	\$ 6,736
Dividends not collected before the designated date	<u>1,388</u>	<u>1,175</u>
	<u>\$ 8,928</u>	<u>\$ 7,911</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 Dividends 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 remuneration of directors and supervisors in the Company's Articles of Incorporation, please refer to Note XXIV (VII) Compensation to employees and remuneration 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 ended December 31, 2019 and 2020 approved in the shareholders' meetings on July 16, 2021 and June 19, 2020, respectively, was as follows:

<u>2020</u>	<u>2019</u>
-------------	-------------

Legal reserve	\$ 37,869	\$ 38,812
Cash dividends	<u>\$ 300,041</u>	<u>\$ 300,041</u>
Earnings per share (NT\$)	\$ 1	\$ 1

The distribution of earnings for year ended December 31, 2021 approved in the Board of Directors' meeting on March 21, 2022 was as follows:

	2021
Legal reserve	<u>\$ 44,491</u>
Cash dividends	<u>\$ 300,041</u>
Earnings per share (NT\$)	\$ 1

The above distribution of cash dividends is approved by the Board of Directors and is subject to the resolution of the shareholders' meeting to be held on June 10, 2022.

(IV) Other Equity Items

Unrealized gains (losses) on financial assets at fair value through other comprehensive income

	2021	2020
Beginning balance	\$ 3,678,813	\$ 3,371,877
Accrued in the current year		
Unrealized gains (losses)		
Equity instruments	793,533	320,507
Share of associates		
accounted for using the		
equity method	(14,032)	5,043
Other comprehensive income		
for the year	779,501	325,550
Accumulated gains (losses) on		
disposal of equity		
instruments transferred to		
retained earnings	(10)	(18,614)
Ending balance	<u>\$ 4,458,304</u>	<u>\$ 3,678,813</u>

(V) Treasury shares

<u>Reason for repurchase</u>	Shares held by subsidiaries (In Thousand Shares)
As of January 1, 2020	<u>804</u>
As of December 31, 2020	<u>804</u>
As of January 1, 2019	<u>804</u>
As of December 31, 2019	<u>804</u>

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

December 31, 2021

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

December 31, 2020

Name of subsidiary	No. of Shares (In Thousand Shares)	Carrying amount	Market Value
Shinkong Asset Management Co., Ltd.	<u>804</u>	<u>\$ 13,174</u>	<u>\$ 34,002</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>2021</u>	<u>2020</u>
Revenue from contracts with customers		
Revenue from the sale of goods	\$ 2,398,299	\$ 1,791,614
Rental revenue	153,946	153,486
Others	<u>604</u>	<u>996</u>
	<u>\$ 2,552,849</u>	<u>\$ 1,946,096</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 Company negotiated the lease contracts with reference to market rentals.

(II) Balance of contracts

	<u>December 31, 2021</u>	<u>December 31, 2020</u>	<u>January 1, 2020</u>
Notes receivables (Note 10)	\$ 29,684	\$ 7,152	\$ 6,882
Accounts receivable (Note 10)	<u>400,470</u>	<u>320,625</u>	<u>205,404</u>
	<u>\$ 430,154</u>	<u>\$ 327,777</u>	<u>\$ 212,286</u>
Contract liabilities			
Sale of goods	\$ 13,307	\$ 33,111	\$ 19,161
Rental revenue of investment property	<u>12,653</u>	<u>16,790</u>	<u>18,813</u>
Contract liabilities - current	<u>\$ 25,960</u>	<u>\$ 49,901</u>	<u>\$ 37,974</u>

(III) Breakdown of revenue from customer contracts

	2021	2020
<u>Types of goods or services</u>		
Textile products	\$ 1,763,853	\$ 1,159,247
Retail sale/Garment	<u>634,446</u>	<u>632,367</u>
	<u>\$ 2,398,299</u>	<u>\$ 1,791,614</u>
XXIX. <u>Net profit for the year</u>		
(I) Interest income		
	2021	2020
Bank deposits	\$ 371	\$ 1,912
Loans to related parties	232	-
Others	<u>45</u>	<u>38</u>
	<u>\$ 648</u>	<u>\$ 1,950</u>
(II) Other income		
	2021	2020
Dividend income	\$ 279,724	\$ 232,894
Government Grants	690	-
Others	<u>1,141</u>	<u>9,521</u>
	<u>\$ 281,555</u>	<u>\$ 242,415</u>
(III) Other gains and losses		
	2021	2020
Gains on financial assets and financial liabilities		
Financial assets designated as at fair value through profit or loss	\$ 9,014	\$ 3,372
Financial assets mandatorily measured at fair value through profit or loss	2,998	(7,647)
Loss (gain) on disposal of property, plant and equipment	(4,898)	150
Net foreign exchange losses	(12,316)	(27,582)
Other expenses	<u>(4,433)</u>	<u>(3,015)</u>
	<u>(\$ 9,635)</u>	<u>(\$ 34,722)</u>
(IV) Finance costs		
	2021	2020
Interest on bank borrowings	\$ 15,882	\$ 16,352
Interest on short-term bills	4,661	3,654
Interest on lease liabilities	<u>864</u>	<u>1,152</u>
	<u>\$ 21,407</u>	<u>\$ 21,158</u>

(V) Depreciation and amortization expenses

	2021	2020
Depreciation by functions		
Operating costs	\$ 80,640	\$ 83,021
Operating expenses	<u>32,714</u>	<u>38,397</u>
	<u>\$ 113,354</u>	<u>\$ 121,418</u>
Amortization by functions		
Operating costs	\$ 407	\$ 299
Operating expenses	<u>1,445</u>	<u>1,269</u>
	<u>\$ 1,852</u>	<u>\$ 1,568</u>

(VI) Employee benefits expenses

	2021	2020
Post-employment benefits		
Defined contribution plans	\$ 16,423	\$ 11,898
Defined benefit plans (Note21)	<u>63</u>	<u>101</u>
	16,486	11,999
Other employee benefits	<u>394,368</u>	<u>331,863</u>
Total employee benefit expense	<u>\$ 410,854</u>	<u>\$ 343,862</u>
By functions		
Operating costs	\$ 161,570	\$ 124,703
Operating expenses	<u>249,284</u>	<u>219,159</u>
	<u>\$ 410,854</u>	<u>\$ 343,862</u>

(VII) Employees' Compensation and Remunerations of Directors and Supervisors

According to the Company's Articles of Incorporation, the compensation to employees shall not be lower than one percent and the remuneration to directors and supervisors shall not be higher than five percent of the income before income tax, compensation to employees and remuneration to directors and supervisors. Compensation to employees and remuneration to directors and supervisors for the years ended December 31, 2021 and 2020 resolved in the Board of Directors meetings on March 21, 2022 and March 30, 2021, respectively, were as follows:

Accrual rate

	2021	2020
Compensation to employees	1.99%	1.89%
Remuneration to Directors and Supervisors	1.99%	1.89%

Amount

	2021	2020
	Cash	
Compensation to employees	<u>\$ 9,700</u>	<u>\$ 7,400</u>
Remuneration to Directors and Supervisors	<u>\$ 9,700</u>	<u>\$ 7,400</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 remunerations of employees, directors and supervisors for 2020 and 2019 and those recognized in the parent company only financial reports for 2020 and 2019.

For information on the remunerations of 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

	2021	2020
Total foreign exchange gains	\$ 2,767	\$ 1,080
Total foreign exchange (losses)	(15,083)	(28,662)
Net loss	(\$ 12,316)	(\$ 27,582)

XXV. Taxation

(I) Major components of income tax expense recognized in profit or loss

Major components of income tax expenses are as follows:

	2021	2020
Current income tax		
Incurred this year	\$ 7,318	\$ 13,943
Additional tax levied on the unappropriated earnings	2,038	2,463
Adjustments for previous years	(3,379)	23,091
	<u>5,977</u>	<u>39,497</u>
Deferred income tax		
Incurred this year	<u>9,980</u>	(28,421)
Income tax expense recognized in profit or loss	<u>\$ 15,957</u>	<u>\$ 11,076</u>

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

	2021	2020
Income before income tax	<u>\$ 466,844</u>	<u>\$ 376,101</u>
Income tax expenses calculated at the statutory tax rate	\$ 93,369	\$ 75,220
Non-deductible expenses and losses	178	-
Tax-exempted income	(77,945)	(64,273)
Additional tax levied on the unappropriated earnings	2,038	2,463
Unrecognized deductible temporary difference	-	(25,425)
Foreign withholding tax	1,696	-
Adjustments for previous years	(3,379)	23,091
Income tax expense recognized in profit or loss	<u>\$ 15,957</u>	<u>\$ 11,076</u>

(II) Income tax recognized in other comprehensive income

	<u>2021</u>	<u>2020</u>
<u>Deferred income tax</u>		
Incurring this year		
- Translation of foreign operations	(\$ 16)	(\$ 5)
- Share of other comprehensive income of associates accounted for using the equity method	(389)	(895)
	<u>(\$ 405)</u>	<u>(\$ 900)</u>

(III) Current tax assets and liabilities

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Current tax assets		
Tax refunds receivable	<u>\$ 46</u>	<u>\$ 848</u>
Current tax liabilities		
Income tax payable	<u>\$ 16,594</u>	<u>\$ 28,560</u>

(IV) Current tax assets and liabilities

Changes in deferred tax assets and liabilities are as follows:

2021

	<u>Beginning balance</u>	<u>Recognized in profit or loss</u>	<u>Recognized other comprehensive income</u>	<u>Ending balance</u>
<u>Deferred tax assets</u>				
Temporary differences				
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 of foreign operations	1,502	-	405	1,907
Others	<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>
<u>Deferred tax liabilities</u>				
Temporary differences				
Defined benefit 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>

2020

	Beginning balance	Recognized in profit or loss	Recognized other comprehensive income	Ending balance
<u>Deferred tax assets</u>				
Temporary differences				
Inventory write-down	\$ -	\$ 29,525	\$ -	\$ 29,525
Difference on unrealized foreign exchange gain (loss)	2,563	2,735	-	5,298
Gains (losses) on foreign investments accounted for using the equity method	1,777	(1,777)	-	-
Exchange differences on translating of foreign operations	602	-	900	1,502
Others	<u>1</u>	<u>-</u>	<u>-</u>	<u>1</u>
	<u>\$ 4,943</u>	<u>\$ 30,483</u>	<u>\$ 900</u>	<u>\$ 36,326</u>
<u>Deferred tax liabilities</u>				
Temporary differences				
Defined benefit plans	\$ 2,379	\$ 164	\$ -	\$ 2,543
Gains (losses) on foreign investments accounted for using the equity method	-	1,898	-	1,898
Land value increment tax	<u>513,536</u>	<u>-</u>	<u>-</u>	<u>513,536</u>
	<u>\$ 515,915</u>	<u>\$ 2,062</u>	<u>\$ -</u>	<u>\$ 517,977</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 tax liabilities) was recognized as of December 31, 2021 and 2020.

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

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Deductible temporary difference		
Impairment loss	<u>\$ 12,673</u>	<u>\$ 12,673</u>

(VI) Income tax assessment

The business income tax returns of the Company through 2019 have been assessed by the tax authorities.

Pursuant to Article 40 of the Business Mergers and Acquisitions Act, the 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 ten percent of business income tax with the 100%-owned Shinkong Asset Management Co., Ltd.

XXVI. Earnings per Share

	(NT\$ per Share)	
	2021	2020
Basic EPS	<u>\$ 1.51</u>	<u>\$ 1.22</u>
Diluted EPS	<u>\$ 1.51</u>	<u>\$ 1.22</u>

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

Net income

	2021	2020
Net income for basic EPS	<u>\$ 450,887</u>	<u>\$ 365,025</u>
Net income for the calculation of diluted EPS	<u>\$ 450,887</u>	<u>\$ 365,025</u>

Number of shares

	(In Thousands of Shares)	
	2021	2020
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>271</u>	<u>222</u>
Weighted average number of common shares used for calculation of diluted earnings per share	<u>299,508</u>	<u>299,459</u>

If the Company may choose to offer employee compensation in the form of cash or stock, while calculating the diluted earnings per share, it shall assume the compensation is to be paid in the form of stock, and include the potentially dilutive common shares in the weighted average number of outstanding shares for the calculation of diluted earnings per share. The dilutive effect of such potential common shares shall continue to be considered when calculating the diluted earnings per share before the number of shares to be distributed as employee compensation is approved in the following year.

XXVII. Government subsidies

The Company received the government COVID subsidy NT\$4,764 thousand from Ministry of Economic Affairs and Ministry of Labor. This amount is recognized as other income of NT\$690 thousand and deduction for salary expense of NT\$4,074 thousand.

XXVIII. 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 ended December 31, 2021 and 2020:

1. The Company reclassified prepayments for equipment of NT\$29,500 thousand and NT\$6,452 thousand to PP&E for the years ended December 31, 2021 and 2020, respectively (please refer to Note 13 for details);
2. The Company reclassified prepaid expenses of NT\$220 thousand to other intangible assets for the year ended December 31, 2020 (please refer to Note 16 for details);

(II) Changes in liabilities from financing activities

2021

	January 1, 2021	Cash Flows	Non-cash Changes					Interest Paid	December 31, 2021
			Additional Leases	Interest Expenses	Lease amendment Remeasureme nts	Contract termination Remeasureme nts	Others		
Lease liabilities (Note 14)	\$ 97,004	(\$ 37,426)	\$ 114,246	\$ 864	(\$ 22,023)	(\$ 15)	(\$ 690)	(\$ 864)	\$ 151,096

2020

	January 1, 2020	Cash Flows	Non-cash Changes					Interest Paid	December 31, 2020
			Additional Leases	Interest Expenses	Lease amendment Remeasurem ents	Contract termination Remeasur ments			
Lease liabilities (Note 14)	\$ 139,722	(\$ 38,321)	\$ 1,319	\$ 1,152	\$ 596	(\$ 6,312)		(\$ 1,152)	\$ 97,004

XXIX. Asset 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).

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.

XXX. 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 21, 2021

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Financial assets at fair value</u>				
<u>through profit or loss</u>				
Domestic stocks listed on				
TWSE or TPEx 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>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Financial assets at fair value</u> <u>through other</u> <u>comprehensive income</u>				
Investments in equity instruments				
- Domestic stocks listed on TWSE or TPEX or emerging stocks	\$ 4,691,482	\$ -	\$ -	\$ 4,691,482
- Domestic stocks unlisted on TWSE or TPEX or emerging stocks	-	-	1,672,275	1,672,275
Total	<u>\$ 4,691,482</u>	<u>\$ -</u>	<u>\$ 1,672,275</u>	<u>\$ 6,363,757</u>

December 31, 2020

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Financial assets at fair value</u> <u>through profit or loss</u>				
Domestic stocks listed on TWSE or TPEX or emerging stocks	\$ 35,846	\$ -	\$ -	\$ 35,846
Fund beneficiary certificates	151,683	-	-	151,683
Total	<u>\$ 187,529</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 187,529</u>

<u>Financial assets at fair value</u> <u>through other</u> <u>comprehensive income</u>				
Investments in equity instruments				
- Domestic stocks listed on TWSE or TPEX or emerging stocks	\$ 3,717,233	\$ -	\$ -	\$ 3,717,233
- Domestic stocks unlisted on TWSE or TPEX or emerging stocks	-	-	1,739,119	1,739,119
Total	<u>\$ 3,717,233</u>	<u>\$ -</u>	<u>\$ 1,739,119</u>	<u>\$ 5,456,352</u>

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

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

2021

	Financial assets at fair value through other comprehensive income
<u>Financial assets</u>	<u>Equity instruments</u>
Beginning balance	\$ 1,739,119
Recognized in Other Comprehensive Income (Unrealized Gain or Loss on Financial Assets at Fair Value through Other Comprehensive Income)	(60,275)
Addition	10,000

Proceeds from capital reduction	(<u>16,569</u>)
Ending balance	<u>\$ 1,672,275</u>

2020

	Financial assets at fair value through other comprehensive income
<u>Financial assets</u>	<u>Equity instruments</u>
Beginning balance	\$ 1,632,262
Recognized in Other Comprehensive Income (Unrealized Gain or Loss on Financial Assets at Fair Value through Other Comprehensive Income)	135,114
Proceeds from capital reduction	(28,257)
Ending balance	<u>\$ 1,739,119</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) Categories of financial instruments

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
<u>Financial assets</u>		
Measured at fair value through profit or loss		
Mandatorily measured at fair value through profit	\$ 127,602	\$ 151,683
Designated as at fair value through profit or loss	44,860	35,846
Financial assets at amortized cost (Note 1)	1,297,168	880,770
Financial assets at fair value through other comprehensive income		
Investments in equity instruments	6,363,757	5,456,352
<u>Financial liabilities</u>		
Financial liabilities at amortized cost (Note 2)	3,568,435	2,694,026

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 income, 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. These risks include market risk (including foreign currency risk, interest rate risk and other price risks), 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 Risks

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) Interest Rate Risks

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. 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 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.

(In Thousands of New Taiwan Dollars)		
	Impact of USD	
	2021	2020
Profit and Loss	\$ 6,727(i)	\$ 5,111(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 in 2021 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 Risks

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, 2021</u>	<u>December 31, 2020</u>
Fair value interest rate risk		
-Financial assets	<u>\$ 1,800</u>	<u>\$ 1,800</u>
- Financial liabilities	<u>\$ 151,096</u>	<u>\$ 97,004</u>
Cash flow interest rate risk		
-Financial assets	<u>\$ 745,953</u>	<u>\$ 505,566</u>
- Financial liabilities	<u>\$ 3,008,646</u>	<u>\$ 2,398,849</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 increases/decreases by 1%, the Company's net income would increase/decrease by NT\$18,102 thousand and NT\$15,146 thousand for the years ended December 31, 2021, and 2020, respectively. This is mainly due to the Company's interest rate exposure from borrowings at floating interest rates.

The increase in the sensitivity to interest rate in 2021 was mainly due to an increase in borrowings at floating interest rates.

(3) Other Price Risks

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 income (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 ended December 31, 2021 and 2020, if the equity price increases/decreases by 1%, the profit or loss after tax would increase/decrease by NT\$449 thousand and NT\$358 thousand, respectively, due to the increase/decrease in fair value of financial assets at fair value through profit or loss and the other comprehensive income after tax would increase/decrease by NT\$63,638 thousand and NT\$54,564 thousand, respectively, due to the increase/decrease in the fair value of financial assets at fair value through other comprehensive income.

2. Credit Risks

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 Risks

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, 2021

	Effective Interest Rate (%)	Less than 1 Month	1 ~ 3 Months	3 Months ~ 1 Year	1 ~ 5 Years	Over 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	439,775	688,871	-	-	-
		<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	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>

December 31, 2020

	Effective Interest Rate (%)	Less than 1 Month	1 ~ 3 Months	3 Months ~ 1 Year	1 ~ 5 Years	Over 5 Years
Lease liabilities	0.952 ~ 1.008	\$ 3,157	\$ 6,314	\$ 27,423	\$ 59,828	\$ 1,906
Short-term borrowings	0.93 ~ 0.96	-	1,350,000	-	-	-
Long-term borrowings	0.97	-	-	190,000	-	-
Short-term bills payable	0.25 ~ 0.81	289,836	569,013	-	-	-
		<u>\$ 292,993</u>	<u>\$ 1,925,327</u>	<u>\$ 217,423</u>	<u>\$ 59,828</u>	<u>\$ 1,906</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>\$ 36,894</u>	<u>\$ 59,828</u>	<u>\$ 1,906</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) Financing facilities

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Credit facilities		
- Amount used	\$ 1,880,000	\$ 1,540,000
- Unused amount	<u>2,680,000</u>	<u>3,520,000</u>
	<u>\$ 4,560,000</u>	<u>\$ 5,060,000</u>
Credit from commercial papers		
- Amount used	\$ 1,130,000	\$ 860,000
- Unused amount	<u>120,000</u>	<u>290,000</u>
	<u>\$ 1,250,000</u>	<u>\$ 1,150,000</u>

XXXI. Related Parties Transactions

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

(I) Names of related parties and categories

<u>Name</u>	<u>of</u>	<u>Related</u>	<u>Party</u>	<u>Relationship with the Company</u>
Shinkong Asset Management Co., Ltd.				Subsidiaries
Xin Fu Development Co., Ltd.				Subsidiaries
SK INNOVATION CO., LTD				Subsidiaries
Hua Yang Motor Co., Ltd.				Subsidiaries
Shanghai Xin Ying Trading Co., Ltd.				Subsidiaries
One Full Co., Ltd.				Subsidiaries
WPI-HIGH STREET. LLC				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
Shin Kong 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
Cheng Cheng 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

(II) Operating revenue

Financial Statement Account	Type/Name of Related Party	2021	2020
Sales revenue	Shinkong Mitsukoshi Department Store Co., Ltd.	\$ 205,705	\$ 212,418
	Shinkong Insurance Co., Ltd.	26,166	8,223
	Subsidiaries	10,639	1,568
	Related party in substance	<u>12,282</u>	<u>12,016</u>
		<u>\$ 254,792</u>	<u>\$ 234,225</u>
Rental revenue	UBright Optronics Corp.	\$ 20,779	\$ 20,068
	Taishin International Bank Co., Ltd.	26,515	26,469
	Related party in substance	<u>9,348</u>	<u>9,589</u>
		<u>\$ 56,642</u>	<u>\$ 56,126</u>

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

Rents from related parties above are negotiated and agreed by parties involved and paid by notes from related parties on a monthly basis.

(III) Purchase

Financial Statement Account	Type/Name of Related Party	2021	2020
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Purchases	Chyang Sheng Dyeing & Finishing Co., Ltd.	\$ 96,356	\$ 21,409
	Shinkong Synthetic Fibers Corporation	55,391	12,076
	Subsidiaries	-	1,175
		<u>\$ 151,747</u>	<u>\$ 34,660</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

<u>Type of Related Party</u>	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Related party in substance	<u>\$ 6,194</u>	<u>\$ 9,740</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)

<u>Financial Statement Account</u>	<u>Type of Related Party</u>	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Notes receivable	Related party in substance	<u>\$ 10</u>	<u>\$ 8</u>
Accounts receivable	Shinkong Mitsukoshi Department Store Co., Ltd.	\$ 40,397	\$ 35,522
	Subsidiaries	1,447	705
	Related party in substance	<u>2,856</u>	<u>1,681</u>
		<u>\$ 44,700</u>	<u>\$ 37,908</u>
Other receivables	Shinkong Asset Management Co., Ltd.	\$ 9,054	\$ 19,639
	Related party in substance	<u>4</u>	<u>1</u>
		<u>\$ 9,058</u>	<u>\$ 19,640</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 ended December 31, 2021 and 2020.

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

Financial Statement Account	Type of Related Party	December 31, 2021	December 31, 2020
Notes payable	Related party in substance	<u>\$ 38,340</u>	<u>\$ 12,039</u>
Accounts payable	Related party in substance	\$ 6,724	\$ 529
	Subsidiaries	<u>929</u>	<u>-</u>
		<u>\$ 7,653</u>	<u>\$ 529</u>
Other payables	Related party in substance	<u>\$ 1,166</u>	<u>\$ 1,231</u>

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

(VII) Advance payment

Type of Related Party	December 31, 2021	December 31, 2020
Related party in substance	<u>\$ 4,805</u>	<u>\$ 225</u>

(VIII) Lease-in agreement

Financial Statement Account	Type of Related Party	December 31, 2021	December 31, 2020
Lease liabilities	Chyang Sheng Dyeing & Finishing Co., Ltd.	\$ 5,844	\$ 19,770
Lease liabilities	Shin Kong Life Insurance Co., Ltd.	<u>13,106</u>	<u>43,178</u>
		<u>\$ 18,950</u>	<u>\$ 62,948</u>

Type/Name of Related Party	2021	2020
<u>Interest Expenses</u>		
Chyang Sheng Dyeing & Finishing Co., Ltd.	\$ 123	\$ 265
Shin Kong Life Insurance Co., Ltd.	<u>249</u>	<u>493</u>
	<u>\$ 372</u>	<u>\$ 758</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.

(VIII) Lease-out agreement

Operating lease

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

Type/Name of Related Party	December 31, 2021	December 31, 2020
UBright Optronics Corp.	\$ 51,795	\$ 55,742
Taishin International Bank Co., Ltd.	109,413	99,711
Shin-Kong Life Real Estate Service Co., Ltd.	18,998	12,127
Related party in substance	<u>6,376</u>	<u>21,168</u>
	<u>\$ 186,582</u>	<u>\$ 188,748</u>

Please refer to Note XXXI (II) Operating Revenue for information on rental revenue.

(X) Acquired financial assets

2021

(In Thousands of Shares)

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

2020

(In Thousands of Shares)

Name of Related Party	Financial Statement Account	No. of Unit	Underlying Securities	Price
Shin Kong Investment Trust Co., Ltd.	Financial assets at fair value through profit or loss - current	9,627	Shin Kong Chi-Shin Money-market Fund	\$ 150,000
Chyang Sheng Dyeing & Finishing Co., Ltd.	Financial assets at fair value through other comprehensive income - current	10,196	Chyang Sheng Dyeing & Finishing Co., Ltd. - common stocks	<u>125,717</u>
				<u>\$ 275,717</u>

(XI) Disposed financial assets

2021

(In Thousands of Shares)

Name of Related Party	Financial Statement Account	No. of Shares	Underlying Securities	Proceeds from Disposal	Gains (Losses) on Disposal
Shin Kong Investment	Financial assets at fair	5,126	Shin Kong Chi-Shin	<u>\$ 80,018</u>	<u>\$ 18</u>

Trust Co., Ltd.	value through profit or loss - current	Money- market Fund
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2020

(In Thousands of Shares)

Name of Related Party	Financial Statement Account	No. of Shares	Underlying Securities	Proceeds from Disposal	Gains (Losses) on Disposal
Shin Kong Investment Trust Co., Ltd.	Financial assets at fair value through profit or loss - current	4,501	Shin Kong Chi-Shin Money- market Fund	\$ 70,009	\$ 9
Chyang Sheng Dyeing & Finishing Co., Ltd.	Financial assets at fair value through other comprehensive income - current	20	Chyang Sheng Dyeing & Finishing Co., Ltd. - common stocks	<u>253</u>	<u>11</u>
				<u>\$ 70,262</u>	<u>\$ 20</u>

(XII) Loans to Related Parties

Type/Name of Related Party	December 31, 2021	December 31, 2020
Xin Fu Development Co., Ltd.	<u>\$ 73,324</u>	<u>\$ -</u>

Interest income

Type/Name of Related Party	2021	2020
Xin Fu Development Co., Ltd.	<u>\$ 232</u>	<u>\$ -</u>

(XIII) Endorsements and guarantees

Endorsements and guarantees provided

Type/Name of Related Party	December 31, 2021	December 31, 2020
Shang De Motor Co., Ltd.		
Guarantee Amount	<u>\$ 72,360</u>	<u>\$ 240,000</u>
Amount Actually Drawn	<u>\$ 72,360</u>	<u>\$ 72,360</u>

Endorsements and guarantees received

Type/Name of Related Party	December 31, 2021	December 31, 2020
Shinkong Asset Management Co., Ltd.		
Guaranteed Amount	<u>\$ 1,350,000</u>	<u>\$ 2,060,000</u>

Amount Actually Drawn (recognized as secured bank borrowings)	<u>\$ 1,350,000</u>	<u>\$ 2,060,000</u>
Hua Yang Motor Co., Ltd.		
Guaranteed Amount	<u>\$ 710,000</u>	<u>\$ -</u>
Amount Actually Drawn (recognized as secured bank borrowings)	<u>\$ 710,000</u>	<u>\$ -</u>

(XIV) Others

Financial Statement Account	Type of Related Party	December 31, 2021	December 31, 2020
Cash and cash equivalent	Shin Kong Bank Co., Ltd.	\$ 170,473	\$ 63,628
	Related party in substance	<u>62,582</u>	<u>12,370</u>
		<u>\$ 233,055</u>	<u>\$ 75,998</u>
Refundable deposits	Chyang Sheng Dyeing & Finishing Co., Ltd.	\$ 3,202	\$ 3,202
	Shin Kong Life Insurance Co., Ltd.	3,456	3,456
	Related party in substance	<u>522</u>	<u>222</u>
		<u>\$ 7,180</u>	<u>\$ 6,880</u>
Guarantee deposits received	UBright Optronics Corp.	\$ 4,010	\$ 4,010
	Taishin International Bank Co., Ltd.	5,754	5,754
	Related party in substance	<u>1,168</u>	<u>1,104</u>
		<u>\$ 10,932</u>	<u>\$ 10,868</u>
Financial assets at amortized cost	Shin Kong Bank Co., Ltd.	<u>\$ 1,800</u>	<u>\$ 1,800</u>
Non-operating income	Shin Kong Life Insurance Co., Ltd.	\$ 30	\$ 35
	Shang De Motor Co., Ltd.	193	-
	Related party in substance	<u>119</u>	<u>128</u>
		<u>\$ 342</u>	<u>\$ 163</u>
Non-operating expenses	Related party in substance	<u>\$ 4</u>	<u>\$ 15</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, 2021	December 31, 2020
Shin Kong Bank Co., Ltd.	Shares of Shinkong Insurance Co., Ltd.	10,000 thousand shares	10,000 thousand shares
Taishin International Bank Co., Ltd.	Shares of Shinkong Insurance Co., Ltd.	10,000 thousand shares	10,000 thousand shares

(XV) Remuneration of key management

	2021	2020
Short-term employee benefits	\$ 15,527	\$ 12,751
Post-employment benefits	407	311
	<u>\$ 15,934</u>	<u>\$ 13,062</u>

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

XXXII. Assets pledged as collateral or for security

The following assets have been provided as collateral for borrowings:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Financial assets at fair value through other comprehensive income - non-current	\$ 1,922,480	\$ 1,793,800
Investment properties	1,864,362	1,881,034
Pledged time deposits (recognized as financial assets at amortized cost)	1,800	1,800
	<u>\$ 3,788,642</u>	<u>\$ 3,676,634</u>

XXXIII. 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, 2021 and 2020, the guaranteed notes submitted by the Company for import credits and other businesses amounted to NT\$25,748 thousand and NT\$8,818 thousand, respectively.

XXXIV. 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, 2021

	<u>Foreign currency</u>	<u>Exchange Rate</u>	<u>Carrying amount</u>
Assets denominated in foreign currency			
<u>Monetary items</u>			
US\$	\$ 30,710	27.680	\$ 850,052
EU\$	497	31.320	15,577

	<u>Foreign currency</u>	<u>Exchange Rate</u>	<u>Carrying amount</u>
<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>			
US\$	\$ 332	27.680	\$ 9,198
EU\$	121	31.320	3,793

December 31, 2020

	<u>Foreign currency</u>	<u>Exchange Rate</u>	<u>Carrying amount</u>
<u>Assets denominated in foreign currency</u>			
<u>Monetary items</u>			
US\$	\$ 22,431	28.48	\$ 638,846
EU\$	27	35.02	948
<u>Non-monetary items</u>			
Subsidiaries, associates and joint ventures accounted for using the equity method			
RMB	2,606	4.377	11,402
<u>Liabilities denominated in foreign currency</u>			
<u>Monetary items</u>			
EU\$	49	35.02	1,723

The Company's (realized and unrealized) foreign exchange gains and losses for the years ended December 31, 2021 and 2020 amounted to NT\$12,316 thousand and NT\$27,582 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.

XXXV. Disclosure of Financial Report Notes

(I) Information on Significant Transactions:

1. Financing provided to others. (Table I)

2. Endorsement/guarantee provided to others. (Table II)
3. Marketable securities held as of December 31, 2021 (excluding investments in subsidiaries, associates and joint ventures). (Table III)
4. Individual securities acquired or disposed of with accumulated amount of at least NT\$300 million or 20 percent of the paid-in capital. (Table IV)
5. Acquisition of individual real estate with amount of at least NT\$300 million or 20 percent of the paid-in capital. (None)
3. Disposal of individual real estate with amount of at least NT\$300 million or 20 percent of the paid-in capital. (None)
7. Related party transactions with purchase or sales amount of at least NT\$100 million or 20 percent of the paid-in capital. (Table V)
8. Accounts receivable from related parties of at least NT\$100 million or 20% of the paid-in capital. (None)
9. Derivative financial instrument transactions. (None)

(II) Information on Reinvestment: see Table IV attached.

(III) Investment information 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 VII)
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 VIII)

Shinkong Textile Co., Ltd.
Financing provided to others
2021

Table I

(In Thousands of New Taiwan Dollars)

No.	Financing Company	Counterparty	Financial Statement Account	Whether A Related Party	Maximum Balance for the Period	Ending Balance	Amount Actually Drawn	Interest Rate	Nature of Financing	Transaction Amount	Short-term financing needed	Provision for doubtful debts	Collateral		Financing Limit for Individual Borrower	Nature of The aggregate amount	Note
													Item	Value			
0	Shinkong Textile Co., Ltd.	Xin Fu Development Co., Ltd.	Receivables from related parties	Yes	\$ 80,000	\$ 80,000	\$ 73,324	1%	Necessity of short-term financing	\$ -	Operating capital	\$ -		\$ -	\$ 1,001,112	\$ 4,004,447	Note 2
1	Shinkong Asset Management Co., Ltd.	Hua Yang Motor Co., Ltd.	Receivables from related parties	Yes	30,000	-	-	1%	Necessity of short-term financing	-	Operating capital	-		-	677,514	7,007,783	Note 3

Note 1: The numbers to be filled are described as follows:

(1) The Corporation is "0."

(2) Investees are numbered sequentially starting from 1 according to the company type.

Note 2: Financing provided to Shinkong Textile Co., Ltd.:

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

Maximum amount of financing to companies or firms requiring short-term financing: 10,011,118 x40%=4,004,447

The maximum amount permitted to a single borrower: 10,011,118 x10%=1,001,112

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: 10,011,118x70%=7,007,783

The maximum amount permitted to a single borrower: 10,011,118 x20%=2,002,224 ; 1,693,786 x40%=677,514

Shinkong Textile Co., Ltd.
Endorsements and guarantees provided
2021

Table II

(In Thousands of New Taiwan Dollars)

No.	Endorser/Guarantor Name of Company	Endorsee/Guarantee		Limits on Endorsement/ Guarantee Amount Provided to A Single Entity (Note 3)	Maximum Endorsement/G uarantee Balance for the Period	Endorsements at the end of term Guarantee balance	Amount Actually Drawn	Endorsement and guarantee by assets	Ratio of Accumulated Endorsement/ Guarantee to Net Equity per Latest Financial Statements	Endorsements and guarantees Maximum limit (Note 3)	Endorsemen t/Guarantee Provided by Parent for Subsidiary	Endorsemen t/Guarantee Provided by Subsidiary for Parent	Endorsemen t/Guarantee Provided for Subsidiary in Mainland China	Note
		Name of Company	Relationship											
0	Shinkong Textile Co., Ltd.	Shang De Motor Co., Ltd.	6	\$ 2,002,224	\$ 72,360	\$ 72,360	\$ 72,360	\$ -	0.7%	\$ 5,005,559	N	N	N	Note 3
1	Shinkong Asset Management Co., Ltd.	Shinkong Textile Co., Ltd.	3	10,011,118	2,060,000	1,350,000	1,350,000	1,350,000	13.5%	10,011,118	N	Y	N	Note 3
2	Hua Yang Motor Co., Ltd.	Shinkong Textile Co., Ltd.	3	10,011,118	710,000	710,000	710,000	710,000	7.1%	10,011,118	N	Y	N	Note 3
2	Hua Yang Motor Co., Ltd.	Shinkong Asset Management Co., Ltd.	3	10,011,118	710,000	710,000	710,000	710,000	7.1%	10,011,118	N	Y	N	Note 3

Note 1: The numbers are described as follows:

- (1) The Corporation is “0.”
- (2) Investees are numbered sequentially starting from 1 according to the company type.

Note 2: The relationships between endorsers/guarantors and endorsees/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) Companies in same type of business and providing mutual endorsements/guarantees in favor of each other in accordance with the contractual obligations in order to fulfill the needs of the construction project.
- (6) Shareholders making endorsements/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/guarantee for external entities shall not exceed 50% of the Company's net worth. The maximum endorsement/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/guarantee provided by the Company and subsidiaries was the net worth of $10,011,118 \times 50\% = 5,005,559$ and the maximum endorsement/guarantee for a single entity was the net worth of $10,011,118 \times 20\% = 2,002,224$ for the year ended December 31, 2021.

The limit calculated based on Shinkong Asset Management Co., Ltd.'s Procedures for Endorsement and Guarantee is as follows:

(3) The amount of endorsement/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/guarantee for its subsidiary or if a subsidiary provides endorsement/guarantee for its listed parent company or if endorsement/guarantee involve mainland China.

Shinkong Textile Co., Ltd.
Marketable securities held as of December 31, 2021
December 31, 2021

Table III

(In Thousands of Shares / New Taiwan Dollars)

Securities Holding Company	Type and Name of Marketable Securities (Note 1)	Relationship with the Holding Company (Note 2)	Financial Statement Account	Ending Balance				Note (Note 3)
				Number of shares (thousand shares/thousand units)	Carrying amount	Shareholding (%)	Fair value	
Shinkong Textile Co., Ltd.	Beneficiary certificates	None	Financial assets at fair value through profit or loss - current					
	Grandway Multi-Strategy Fund			63	\$ 51,506	-	\$ 51,506	
	Yuanta/P-shares Taiwan Top 50 ETF	None (6)	" "	523	76,096	-	76,096	
	Stocks - listed on TWSE or TPEx			524	4,310	0.01	4,310	
	Asia Pacific Telecom Co., Ltd.			5,000	40,550	1.08	40,550	
Shinkong Textile Co., Ltd.	TacBright Optronics Corporation				<u>\$ 172,462</u>		<u>\$ 172,462</u>	
	Stocks - listed on TWSE or TPEx							
	Chyang Sheng Dyeing & Finishing Co., Ltd.	(3)	Financial assets at fair value through other comprehensive income - current	31,321	\$ 444,752	18.08	\$ 444,752	
	Shinkong Synthetic Fibers Corporation	(4)	" "	56,104	1,133,306	3.47	1,133,306	
	Taishin Financial Holding Co., Ltd.	(6)	" "	7,146	135,423	0.06	135,423	
	Shin Kong Financial Holding	(6)	" "	4,609	50,928	0.03	50,928	
					<u>\$ 1,764,409</u>		<u>\$ 1,764,409</u>	
Shinkong Textile Co., Ltd.	Stocks - listed on TWSE or TPEx	None	Financial assets at fair value through other comprehensive income - non-current					10,000 thousand shares were collateralized to Shin Kong Bank and Taishin International Bank separately with a market value of NT\$950,000 thousand
	Xintec Inc.			141	\$ 20,163	0.05	\$ 20,163	
	O-Bank Co., Ltd.	None	" "	10,385	83,078	0.34	83,078	
	The Great Taipei Gas Corporation	(6)	" "	10,738	356,502	2.08	356,502	
	Taishin Financial Holding Co., Ltd. - preferred stocks E	(6)	" "	228	12,111	0.03	12,111	
	Shinkong Insurance Co., Ltd.	(1)	" "	51,540	2,448,128	16.31	2,448,128	

(Continued on the next page)

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Securities Holding Company	Type and Name of Marketable Securities (Note 1)	Relationship with the Holding Company (Note 2)	Financial Statement Account	Ending Balance				Note (Note 3)
				Number of shares (thousand shares/thousand units)	Carrying amount	Shareholding (%)	Fair value	
	Taishin Financial Holding Co., Ltd. - preferred stocks E (second)	(6)	Financial assets at fair value through other comprehensive income - non-current	137	\$ 7,091	0.05	\$ 7,091	
	Unlisted companies							
	Tong Hsin Water Business Inc.	(1)	"	1,982	22,763	9.83	22,763	
	Taian Insurance Co., Ltd.	None	"	2,049	59,902	0.69	59,902	
	Shin Kong Chao Feng Co., Ltd.	(5)	"	200	32,791	2.22	32,791	
	Shinkong Mitsukoshi Department Store Co., Ltd.	(4)	"	41,275	1,254,361	3.31	1,254,361	32,000 thousand shares were collateralized to ChinaTrust Commercial Bank with a market value of NT\$972,480 thousand
	Shin Kong Recreation Co., Ltd.	(2)	"	650	220,119	3.32	220,119	
	Eastern International Ad.	None	"	-	284	0.90	284	
	Li Yu Venture Capital Co., Ltd.	None	"	209	3,532	1.79	3,532	
	Taiwan Zeniya Interior Design Co., Ltd.	None	"	-	15,612	8.00	15,612	
	Global Securities Finance Corp.	None	"	98	979	0.53	979	
	WK Technology Fund IV	None	"	75	112	0.71	112	
	WK Technology Fund	None	"	22	213	2.18	213	
	IRSO Precision Co., Ltd.	None	"	1,000	3,141	4.93	3,141	
	KHL IB Venture Capital	None	"	2,489	48,466	2.98	48,466	
	Mega Solar Energy Co., Ltd.	None	"	1,000	10,000	1.25	10,000	
					<u>\$ 4,599,348</u>		<u>\$ 4,599,348</u>	

Note 1: Marketable securities in this table refer to stocks, bonds, beneficiary certificates as promulgated in IFRS 9 "Financial Instruments" and the securities derived from the items above.

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 VI.

Shinkong Textile Co., Ltd.

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

2021

Table IV

(In Thousands of New Taiwan Dollars)

Purchase (sales) company	Related Party	Relationship	Transaction Details				Circumstances and reasons for transaction conditions different from ordinary transactions (note 1)		Notes/ Trade receivable (payable)		Note (Note 2)
			Purchase (sales)	Amount	Percentage of Total Purchases (Sales) (%)	Credit Period	Unit price	Credit Period	Ending Balance	Notes/ Trade receivable (payable) %	
Shinkong Mitsukoshi Department Store Co., Ltd.	Shinkong Textile Co., Ltd.	Related party in substance	Sales	\$ 205,705	8.58%	No material difference from general customers	—	—	\$ 40,397	9.39%	

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
2021

Table V

(In Thousands of Shares / New Taiwan Dollars)

Investor	Investee	Location	Principal Business Activities	Initial Investment Amount		Ending Balance			Current gain (loss) of the investee company during the period	Investment profit or loss recognized in the current period	Note
				Ending Balance	End of Last Year	Number of shares	Percentage of Ownership (%)	Carrying amount			
Shinkong Textile Co., Ltd.	Shinkong Asset Management Co., Ltd.	F15, No. 44, Section 2, Zhonghan 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.	\$ 664,719	\$ 664,719	25,490	100.00	\$ 1,659,423	\$ 51,917	\$ 51,113	Note 1. Subsidiaries
"	Lian Quan Investment Co., Ltd.	F6, No. 44, Section 2, Zhonghan 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	384,759	18,465	9,028	
"	SK INNOVATION CO., LTD.	Portcullis Trust Net Chambzs, P.O. Box1225, Apia, Samoa	Investment	21,424	21,424	700	100.00	10,635	(687)	(687)	Subsidiaries
"	Shang De Motor Co., Ltd.	No. 518, Zhongzheng Rd., Xinzhuang Dist., New Taipei City 242048, Taiwan (R.O.C.)	Trading and maintenance of motor vehicles and trading of auto parts	269,699	269,699	9,715	33.5	278,104	83,356	27,924	
"	WPI-High Street LLC	5190 Campus Dr., Newport Beach, CA 92660	Investment	65,885	56,220	-	35.71	42,388	25,376	9,061	
Shinkong Asset Management Co., Ltd.	Xin Fu Development Co., Ltd.	F15, No. 44, Section 2, Zhonghan 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	768,821	2,263	2,206	Sub-subsidiaries

Hua Yang Motor Co., Ltd.	Hua Yang Motor Co., Ltd.	F15, No. 44, Section 2, Zhonghan N Road, Zhongshan District, Taipei	Businesses include the wholesale and retail sale of motor vehicles, retail sale of auto and motorcycle parts and accessories, automobile repair, other automobile services, retail sale of culture, education, musical instruments and educational entertainment supplies, retail sale of tires and tubes, agency service, leasing, and manufacturing of motor vehicles/motorcycles and their parts.	349,065	349,065	33,700	100.00	355,755	26,474	26,474	Sub-subsidiaries
	One Full Co., Ltd.	F15, No. 44, Section 2, Zhonghan N Road, Zhongshan District, Taipei	Clothing and accessories retail, retail, non-store retail, other integrated retail, international trade, warehousing, tally and packaging.	76,000	30,000	7,600	100.00	41,916	(30,710)	(30,710)	Sub-subsidiaries

Note 1: The carrying amount has deducted the NT\$13,174 thousand reclassified as treasury shares.

Note 2: For information on investee companies in mainland China, refer to Table 7.

Shinkong Textile Co., Ltd.
Information on Investments in Mainland China
2021

Table VI

(In Thousands of New Taiwan Dollars; Foreign Currencies)

Investee	Principal Business Activities	Paid-in Capital	Method of Investments	Accumulated Outward Remittance for Investment from Taiwan as of December 1, 2021	Investment Flows		Accumulated Outward Remittance for Investment Remittance for Investment	Current gain (loss) of the investee company during the period	% Ownership of Direct or Indirect Investment	Investment profit or loss recognized in the current period (Note 2)	Carrying Amount as of December 31, 2021	Accumulated Repatriation of Investment Income to Taiwan as of December 31, 2021	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)-(1)	\$ 21,362	\$	\$ -	\$ 21,362	(\$ 687)	100	(\$ 687) (2)－B	\$ 10,632	\$ -	-
Shanghai Yong Yi Internet Technology Co., Ltd.	Development of specialized field in internet technology, technical service, technology transfer, technical consultation, internet business and e-commerce.	-	Note 1 (2)-(2)	-	-	-	-	(10)	-	(6) (2)－B	-	-	

Note 1: Investment methods are classified into the following three categories, the number of category in each case belongs to:

- (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 methods.

Note 2: In the column of investment profit (loss) recognized for the period:

- (1) If the company is in preparation status without investment profit (loss), it shall be remarked.
- (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 as of December 31, 2021	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA
\$ 21,362	\$ 1,000 USD 27,680 TWD	\$ 6,006,671



Shinkong Textile Co., Ltd.
Information on Major Shareholders
December 31, 2021

Table VII

Name of Major Shareholders	Shareholding	
	No. of Shares	Percentage of Ownership
Shinkong Synthetic Fibers Corporation	28,378,958	9.45%
Shin Kong Wu Ho-Su Memorial Hospital	20,979,735	6.99%
Ji Zhen Co., Ltd.	19,650,000	6.54%

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	2021	2020	Difference	
			Amount	%
Current Assets	5,002,889	2,891,898	2,110,991	73.00
Investment	5,356,759	4,956,518	400,241	8.08
Property, plant, and equipment	417,013	321,571	95,442	29.68
Right-of-use assets	150,762	106,078	44,684	42.12
Investment properties	5,023,510	5,093,701	(70,191)	(1.38)
Other Intangible Assets	2,457	2,368	89	3.76
Other Assets	181,735	206,994	(25,259)	(12.20)
Total Assets	16,135,125	13,579,128	2,555,997	18.82
Current Liabilities	5,123,044	3,532,018	1,591,026	45.05
Non-current Liabilities	1,000,963	959,742	41,221	4.30
Total Liabilities	6,124,007	4,491,760	1,632,247	36.34
Share capital	3,000,413	3,000,413	-	-
Capital Surplus	8,928	7,911	1,017	12.86
Retained Earnings	2,563,285	2,418,420	144,865	6.00
Other Equity	4,451,666	3,673,794	777,872	21.17
Treasury Stock	(13,174)	(13,174)	-	-
Total equity attributable to	10,011,118	9,087,364	923,754	10.17

owners of the Company				
Non-controlling Interests	-	4	(4)	(100)
Total Equity	10,011,118	9,087,368	923,750	10.17
<p>The reasons for around NT\$161,351 thousand difference, accounting for 1% of total assets, between the two periods and the change of more than 20% are explained below:</p> <p>None.</p>				

II. Financial Performance

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

(In Thousands of New Taiwan Dollars)

Item \ Year	2021	2020	Change, by Amount	Change (%)
Net Operating Revenue	2,748,914	2,149,213	599,701	27.90
Operating Costs	2,020,019	1,526,091	493,928	32.37
Gross Profit	728,895	623,122	105,773	16.97
Operating Expenses	528,671	459,675	68,996	15.01
Profit from operations	200,224	163,447	36,777	22.50
Non-operating Income and Expenses	284,849	232,509	52,340	22.51
Net profit before tax	485,073	395,956	89,117	22.51
Income tax benefit (expense)	(34,190)	(31,464)	(2,726)	8.66
Current net profit	450,883	364,492	86,391	23.70

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 2022 is expected about 14,264 thousand yards.

III. Cash Flow

(In Thousands of New Taiwan Dollars)

Year	Cash at Beginning of Year Balance	Net cash outflow from operating activities throughout the year	Net cash inflow from investing activities throughout the year	Net cash inflow 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
2021	594,798	(62,110)	705,420	171,566	(80)	1,409,594	—	—

1. Analysis of variance in cash flows for the current year

- (1) Operating activities: the net cash outflow was NT\$62,110 thousand, mainly due to the increase of inventory.
- (2) Investment activities: the net cash inflow was NT\$705,420 thousand, mainly due to the increase of the prepaid land payment.
- (3) Financing activities: the net cash inflow was NT\$171,566 thousand, mainly due to the increase of short-term borrowings.

2. Improvement plans for liquidity shortage: N/A.

3. 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
2022	1,409,594	127,326	1,762,759	(2,213,449)	—	1,086,230	—	—

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 255-256 of the Annual Report.

(2) Future response measures for interest rate changes

The borrowing amount increased this year, but the interest rate in 2021 kept unchanged from that in 2020, so the interest expense in 2021 increased slightly compared with that in 2020. At present, the Company focuses on financing short-term funds with a lower capital cost, and the trend of interest rate in the financial market is 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 253-255 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 2021 average consumer price index (CPI) is 1.96% announced by the Directorate General of Budget, Accounting and Statistics, the Executive Yuan, 2022 average consumer price index (CPI) is expected to have a growth rate at 1.93%. If the inflation rate increases or decreases by 1%, the Company and its subsidiaries will increase or decrease of purchase by about NT \$19.09 million.

(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 2021.

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 2021.

(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\$298.24 million.

(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.

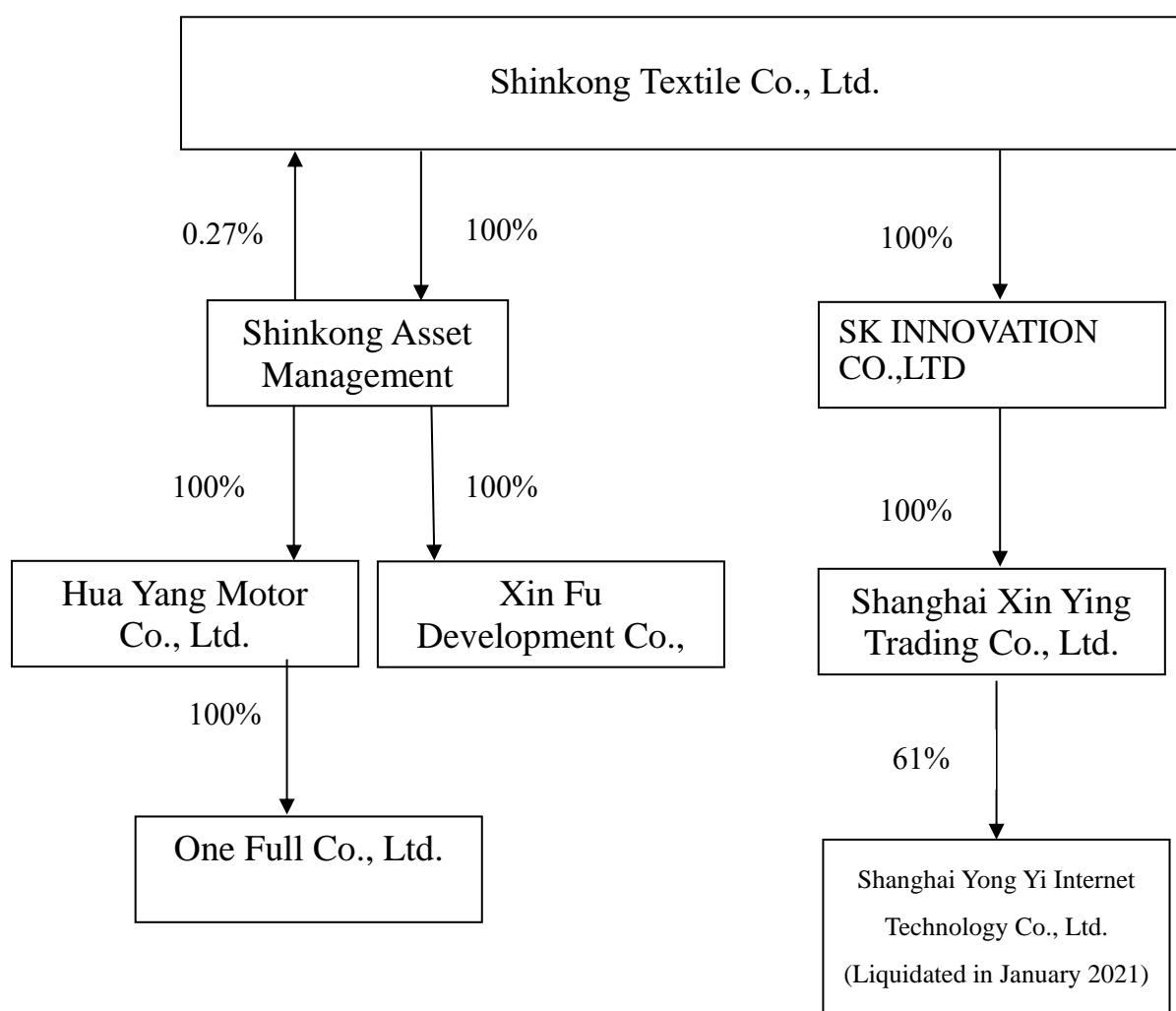
Chapter 8. Special Notes

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



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.
Shanghai Yong Yi Internet Technology Co., Ltd.	2018.11.30 (Liquidated in January 2021)	Rm. 2661, Building A3, No. 58, Fuminzhi Rd., Hengsha Township, Chongming District, Shanghai, China	276	Development of specialized field in internet technology, technical service, technology transfer, technical consultation, internet business and e-commerce.
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	2015.02.10	15F, No. 44,	337,000	Wholesale of motor vehicles, retail

Name of Affiliate	Date of Incorporation	Address	Paid-in Capital	Main Business or Products
Motor Co., Ltd.		Zhongshan N. Rd., Taipei City		sale of auto and motorcycle parts and accessories, automobile repair, other automobile services, leasing, and manufacturing of motor vehicles/motorcycles and their parts
One Full Co., Ltd.	2020.09.29	11F, No. 44, Zhongshan N. Rd., Taipei City	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	6.55%
	Director	Shin Kong Wu Tung Ching Foundation Representative: Po-Han Lin	51,660	0.02%
	Independent Director	David Ching	0	-
	Independent Director	Mao-Jung Wang	0	-
	Independent Director	Wei-Kan Chen (Note: Assumed office on July 16, 2021)	0	-
	President	Chin-Fa Chiu (Note: Resigned on October 29, 2021)	290	-

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%
Shanghai Yong Yi Internet Technology Co., Ltd. (Note: Liquidated in January 2021)	Director Director Supervisor	Shanghai Xin Ying Trading Co., Ltd. Representative: Hsing-En Wu Representative: Kuo-Hua Chao Representative: Ying-Tzu Lai	-	61%
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	14,316,715	4,305,597	10,011,118	2,552,849	119,244	450,887	1.51
Shinkong Asset Management Co., Ltd.	254,906	3,325,697	1,631,911	1,693,786	111,257	42,801	51,917	2.04
SK INNOVATION CO., LTD.	21,424	10,635	-	10,635	-	-	(687)	(0.98)
Shanghai Xin Ying Trading Co., Ltd.	21,362	12,823	2,191	10,632	5,601	(733)	(687)	-
Shanghai Yong Yi Internet Technology Co., Ltd.	276	-	-	-	-	-	(10)	-
Xin Fu Development Co., Ltd.	200,000	842,325	73,549	768,775	7,308	4,605	2,263	0.11
Hua Yang Motor Co., Ltd.	337,000	550,135	194,380	355,755	85,112	65,152	26,474	0.79
One Full Co., Ltd.	76,000	46,120	4,204	41,916	4,773	(30,726)	(30,710)	(4.04)

(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, 2021, 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 21, 2022

(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 2021 Annual General Meeting and Implementation Status

1. Proposal for Re-election of Independent Director.

Implementation: the election results have been released on the day of the shareholders' meeting.

2. Adoption of 2020 Business Report and Financial Statements.

3. Adoption of 2020 Earnings Distribution.

Implementation: August 13, 2021 was set as the base date for distribution, the earnings were fully distributed on September 3, 2021 in accordance with the resolution of the shareholders' meeting. (NT\$1 cash dividend per share, a total of NT\$300,041,280 cash dividend distributed to shareholders)

4. Releasing New Directors from Non-competition Restrictions.

Implementation: Major information has been released on the day of the

shareholders' meeting.

(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