

Shinkong Textile Co., Ltd. and
Subsidiaries

Consolidated Financial Statements
and Independent Auditors' Review
Report
For the Years of 2023 and 2022

Address: 15F, No. 44, Section 2, Zhongshan N Road,
Zhongshan District, Taipei

Tel: (02) 2507-1258

Notice to Reader

For the convenience of readers, this report has been translated into English from the original Chinese version, prepared and used in the Republic of China. The English version has not been audited or reviewed by independent auditors. If there are any discrepancies between the English version and the original Chinese version, or any difference in the interpretation of the two versions, the Chinese-language report shall prevail.

Consolidated Financial Statements of Affiliates

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

Declaration

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

Person in Charge: Hsing-En Wu

March 8, 2024

Independent Auditors' Report

To Shinkong Textile Co., Ltd.

Audit opinion

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

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

Basis for Opinion

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

Key Audit Matters

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

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

Authenticity of Sales Revenue from Specific Customers

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

Our corresponding audit procedures were as follows:

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

Other Matters

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

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

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

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

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

Deloitte & Touché

CPA Li-Huang Li

CPA Jui-Chuan Chih

Securities and Futures Commission
Approval No.

Tai-Cai-Zheng-6-0930128050

Financial Supervisory Commission Approval
No.

Jin-Guan-Zheng-Shen-1060023872

March 8, 2024

Shinkong Textile Co., Ltd. and Subsidiaries

Consolidated Balance Sheets

December 31, 2023 and 2022

Unit: In Thousands of New Taiwan Dollars

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

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

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

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

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

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

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

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

Unit: In Thousands of New Taiwan Dollars

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

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

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

Unit: In Thousands of New Taiwan Dollars

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

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

(Continued on the next page)

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

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

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

1. Company History

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

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

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

2. Date and Procedures of Authorization of Financial Statements

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

3. Application of New and Amended Standards and Interpretations

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

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

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

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

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

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

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

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

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

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

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

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

4. Summary of Significant Accounting Policies

1) Statement of compliance

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

2) Basis of preparation

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

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

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

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

Current assets include:

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

Current liabilities include:

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

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

4) Basis of consolidation

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

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

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

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

5) Foreign currency

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

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

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

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

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

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

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

6) Inventories

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

7) Investment in associates

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

9) Investment properties

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

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

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

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

10) Intangible assets

a. Separate acquisition

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

b. Derecognition

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

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

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

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

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

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

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

12) Financial instruments

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

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

a. Financial assets

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

a) Types of measurement

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

i. Financial assets at fair value through profit or loss

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

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

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

ii. Financial assets at amortized cost

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

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

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

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

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

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

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

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

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

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

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

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

- b) Impairment of financial assets and contract assets

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

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

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

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

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

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

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

c) Derecognition of financial assets

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

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

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

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

b. Equity instruments

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

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

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

c. Financial liabilities

a) Subsequent measurement

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

b) Derecognition of financial liabilities

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

13) Revenue recognition

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

Revenue from the sale of goods

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

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

14) Leases

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

a. The merged company acts as the lessor.

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

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

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

b. Where the consolidated Company is a lessee

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

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

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

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

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

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

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

15) Borrowing costs

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

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

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

16) Government grants

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

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

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

17) Employee benefits

a. Short-term employee benefits

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

b. Post-employment benefits

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

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

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

18) Income tax

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

a. Current income tax

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

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

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

b. Deferred income tax

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

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

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

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

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

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

c. Current and deferred income taxes

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

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

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

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

Primary Sources of Uncertainties in Estimates, and Assumptions

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

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

- 2) Impairment of inventory

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

6. Cash and cash equivalent

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

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

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

7. Financial Instruments at Fair Value through Profit or Loss

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

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

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

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

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

9. Financial assets at amortized cost

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

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

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

10. Notes and accounts receivable

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

Notes and accounts receivable

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

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

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

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

December 31, 2023

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

December 31, 2022

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

Changes in loss allowances for receivables are as follows:

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

11. Inventories

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

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

12. Subsidiaries

Subsidiaries included in the consolidated financial statements

Entities in the consolidated financial statements are listed as follows:

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

Note:

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

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

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

13. Investments using equity method

Investment in associates

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

1) Associates that are individually material

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

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

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

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

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

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

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

Chyang Sheng Dyeing & Finishing Co., Ltd.

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

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

Lian Quan Investment Co., Ltd.

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

Shang De Motor Co., Ltd.

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

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

2) Aggregate information of associates that are not individually material

WPI-High Street , LLC

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

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

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

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

Unrecognized or reversal on impairment loss in 2023 and 2022.

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

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

15. Lease agreements

1) Right-of-use assets

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

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

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

2) Lease liabilities

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

Discount rate ranges for lease liabilities are as follows:

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

3) Major lease activities and terms

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

4) Other lease information

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

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

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

16. Investment properties

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

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

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

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

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

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

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

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

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

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

17. Other Intangible Assets

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

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

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

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

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

19. Borrowings

1) Short-term borrowings

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

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

2) Short-term bills payable

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

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

December 31, 2023

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

December 31, 2022: None.

3) Long-term borrowings

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

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

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

20. Notes and Accounts Payable

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

21. Other liabilities

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

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

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

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

22. Post-employment benefit plans

1) Defined contribution plans

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

2) Defined benefit plans

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

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

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

Changes in net defined benefit assets are as follows:

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

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

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

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

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

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

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

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

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

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

23. Equity

1) Share capital

Common shares

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

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

2) Capital surplus

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

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

3) Retained earnings and dividend policy

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

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

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

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

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

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

4) Special reserve

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

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

5) Other equity item

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

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

6) Treasury share

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

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

December 31, 2023

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

December 31, 2022

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

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

24. Revenue

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

1) Details on contracts with customers

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

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

2) Contract balance

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

3) Breakdown of revenue from contracts with customers

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

25. Net income

1) Interest income

	2023	2022
Bank deposits	\$ 23,099	\$ 6,570
Other	<u>84</u>	<u>40</u>
	<u>\$ 23,183</u>	<u>\$ 6,610</u>

2) Other income

	2023	2022
Dividend income	\$ 354,184	\$ 362,884
Other	<u>16,224</u>	<u>2,173</u>
	<u>\$ 370,408</u>	<u>\$ 365,057</u>

3) Other gains and losses

	2023	2022
Gains (Losses) on financial assets and financial liabilities		
Financial assets designated as at fair value through profit or loss	(\$ 4,739)	(\$ 16,162)

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	2023	2022
Financial assets mandatorily measured at fair value through profit or loss	28,472	66,028
Loss on disposal of property, plant and equipment	(25)	(669)
Loss on disposal of intangible asset	(360)	-
Disposal of investment properties	3,377	-
Gains on disposal of other non-current assets held for sale (Note 1)	\$ -	\$ 1,511,741
Net foreign exchange gain (losses)	(13,286)	66,274
Miscellaneous Expenses (Note 2)	(<u>18,677</u>)	(<u>72,935</u>)
	(<u>\$ 5,238</u>)	\$ <u>1,554,277</u>

Note 1: Shin Kong Asset Management Co., Ltd. of the consolidated Company adopted the sales of Yangming section 4th Subsection 200-3, Shilin District, at the third meeting of the 7th board of meeting on November 19, 2021 to its related party Shin Kong Medical Foundation. The contract was signed on November 24, 2021 with an amount of NT\$1,630,766 thousand. The transfer of ownership was completed on January 7, 2022.

Note 2: Due to the ongoing impact of the COVID-19 pandemic, the persistent labor shortage in the country, and the imbalance in the supply of raw materials caused by the Russo-Ukrainian war, the bidding interest of construction companies has been affected. As a result, all bids for the construction of the office building on the consolidated Company's pieces of land number 200-07, 200-10, 200-11, and 200-12 in the Yangming section of Shilin District, Taipei City have exceeded the estimated price. Based on the Table of Construction Industry Engineering Price Index (Total Index), when comparing the indices of 2021 and 2022 with the those of 2018, when this project began planning, there has been a 27% increase in price. This increase rate exceeds the gap of the same duration in nearly 30 years. In accordance with a resolution made

by the Board of Directors, the development has been temporarily postponed. As a result, the pre-development costs of NT\$67,922 thousand have been reclassified as losses and recorded as miscellaneous expense.

4) Finance costs

	2023	2022
Interest on bank borrowings	\$ 55,382	\$ 32,534
Interest on short-term bills	1,941	3,599
Interest on lease liabilities	1,782	1,686
Less: Amount that meets the demand of asset cost is listed	(5,653)	(1,381)
	<u>\$ 53,452</u>	<u>\$ 36,438</u>

Interest capitalization information is as follows:

	2023	2022
Amount of interest capitalization	\$ 5,653	\$ 1,381
Interest of interest capitalization	1.8448%~ 2.3718%	1.4797%~ 2.2290%

5) Depreciation and amortization

	2023	2022
Depreciation expense is summarized by function		
Operating costs	\$ 96,960	\$ 96,354
Operating expenses	<u>52,045</u>	<u>48,930</u>
	<u>\$ 149,005</u>	<u>\$ 145,284</u>
Amortization expense is summarized by function		
Operating costs	\$ 409	\$ 376
Operating expenses	<u>2,090</u>	<u>1,774</u>
	<u>\$ 2,499</u>	<u>\$ 2,150</u>

6) Employee benefit expense

	2023	2022
Post-employment benefits		
Defined contribution plans	\$ 17,099	\$ 16,890
Defined benefit plans (Note 22)	<u>3,170</u>	<u>116</u>
	<u>20,269</u>	<u>17,006</u>
Other employee benefits	<u>524,122</u>	<u>520,954</u>
Total employee benefit expense	<u>\$ 544,391</u>	<u>\$ 537,960</u>
Summarized by functions		
Operating costs	\$ 196,121	\$ 193,820
Operating expenses	<u>348,270</u>	<u>344,140</u>
	<u>\$ 544,391</u>	<u>\$ 537,960</u>

7) Compensation to employees and compensation to directors

According to the Company's Articles of Incorporation, the compensation to employees shall not be lower than 1% and the compensation to directors shall not be higher than 5% of the income before income tax, compensation to employees and compensation to directors. Compensation to employees and compensation to directors for the years of 2023 and 2022 resolved in the Board of Directors meetings on March 8, 2024 and March 9, 2023, respectively, were as follows:

Accrual rate

	2023	2022
Compensation to employees	1.98%	1.00%
Compensation to directors	1.98%	1.00%

Amount

	2023	2022
	Cash	Cash
Compensation to employees	<u>\$ 15,600</u>	<u>\$ 21,800</u>
Compensation to directors	<u>\$ 15,600</u>	<u>\$ 21,800</u>

If the amount changed after the annual consolidated financial statements are authorized for issue, the differences shall be treated as a change in accounting estimates in the following year.

There was no difference between the amounts actually allocated for compensations to employees and directors for 2022 and 2021 and those recognized in the consolidated financial reports for 2022 and 2021.

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

8) Net gain (loss) on foreign exchange

	2023	2022
Total foreign exchange gains	\$ 22,255	\$ 80,563
Total foreign exchange (losses)	(35,541)	(14,289)
Net profits (losses)	(\$ 13,286)	\$ 66,274

26. Income tax

1) Main components of income tax expense (benefit) recognized in profit or loss

	2023	2022
Current income tax		
Incurred in this year	\$ 73,053	\$ 59,428
Additional tax levied on the unappropriated earnings	67,467	3,763
Adjustments for previous years	(7,813)	(2,261)
Land value increment tax	<u>357</u>	<u>139,749</u>
	<u>133,064</u>	<u>200,679</u>
Deferred income tax		
Incurred in this year	(9,045)	11,970
Land value increment tax	<u>-</u>	(<u>20,114</u>)
	(<u>9,045</u>)	(<u>8,144</u>)
Income tax expense recognized in profit or loss	<u>\$ 124,019</u>	<u>\$ 192,535</u>

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

	2023	2022
Net income before tax	<u>\$ 772,967</u>	<u>\$ 2,263,521</u>
Net income before tax: Income tax expenses calculated at the statutory tax rate	\$ 150,090	\$ 424,041

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	<u>2023</u>	<u>2022</u>
Non-deductible expense and loss on tax	21	184
Tax-exempted income	(87,070)	(349,977)
Additional tax levied on the unappropriated earnings	67,467	3,763
Unrecognized deductible temporary difference	967	(2,850)
Land value increment tax	357	119,635
Adjustment of current income tax expense from previous years in the current period	(<u>7,813</u>)	(<u>2,261</u>)
Income tax expense recognized in profit or loss	<u>\$ 124,019</u>	<u>\$ 192,535</u>

2) Income tax recognized in other comprehensive profit and loss

	<u>2023</u>	<u>2022</u>
<u>Deferred income tax</u>		
Incurred in this year		
— Translating the financial statements of foreign operations	(\$ 23)	\$ 32
— Share of other comprehensive profit and loss of associates accounted for using the equity method	(<u>355</u>)	<u>1,311</u>
	(<u>\$ 378</u>)	<u>\$ 1,343</u>

3) Current income tax assets and liabilities

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Current tax assets		
Tax refunds receivable	<u>\$ 2,100</u>	<u>\$ -</u>
Current tax liabilities		
Income tax payable	<u>\$ 131,975</u>	<u>\$ 58,559</u>

4) Deferred income tax assets and liabilities

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

2023

	Balance at the beginning of the year	Recognized in profit or loss	Recognized in other comprehensive profit and loss	Balance at the end of the year
<u>Deferred tax assets</u>				
Temporary differences				
Exchange differences on translating the financial statements of foreign operations	\$ 564	\$ -	\$ 378	\$ 942
Loss on inventory write-down	29,126	4,532	-	33,658
Difference on unrealized foreign exchange gain (loss)	-	2,154	-	2,154
Other	<u>1</u>	<u>-</u>	<u>-</u>	<u>1</u>
	<u>\$ 29,691</u>	<u>\$ 6,686</u>	<u>\$ 378</u>	<u>\$ 36,755</u>
<u>Deferred tax liabilities</u>				
Temporary differences				
Defined benefit retirement plans	\$ 2,873	(\$ 455)	\$ -	\$ 2,418
Gains (losses) on foreign investments accounted for using the equity method	2,673	(894)	-	1,779
Difference on unrealized foreign exchange gain (loss)	1,977	(1,977)	-	-
Financial assets at fair value through profit or loss	12,842	968	-	13,810
Land value increment tax	<u>741,317</u>	(<u>1</u>)	<u>-</u>	<u>741,316</u>
	<u>\$ 761,682</u>	<u>(\$ 2,359)</u>	<u>\$ -</u>	<u>\$ 759,323</u>

2022

	Balance at the beginning of the year	Recognized in profit or loss	Recognized in other comprehensive profit and loss	Balance at the end of the year
<u>Deferred tax assets</u>				
Temporary differences				
Exchange differences on translating the financial statements of foreign operations	\$ 1,907	\$ -	(\$ 1,343)	\$ 564

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	Balance at the beginning of the year	Recognized in profit or loss	Recognized in other comprehensive profit and loss	Balance at the end of the year
Loss on inventory write-down	25,321	3,805	-	29,126
Difference on unrealized foreign exchange gain (loss)	1,373	(1,373)	-	-
Other	<u>330</u>	(<u>329</u>)	<u>-</u>	<u>1</u>
	<u>\$ 28,931</u>	<u>\$ 2,103</u>	(<u>\$ 1,343</u>)	<u>\$ 29,691</u>
Deferred tax liabilities				
Temporary differences				
Defined benefit retirement plans	\$ 2,719	\$ 154	\$ -	\$ 2,873
Gains (losses) on foreign investments accounted for using the equity method	3,573	(900)	-	2,673
Difference on unrealized foreign exchange gain (loss)	-	1,977	-	1,977
Financial assets at fair value through profit or loss	-	12,842	-	12,842
Land value increment tax	<u>761,431</u>	(<u>20,114</u>)	<u>-</u>	<u>741,317</u>
	<u>\$ 767,723</u>	(<u>\$ 6,041</u>)	<u>\$ -</u>	<u>\$ 761,682</u>

Land revaluation of the consolidated Company's freehold land was carried out at the assessed present value in July 1981 and November 2000, respectively, and the provision for land value increment tax of NT\$741,316 thousand and NT\$741,317 thousand (under deferred income tax liabilities) was recognized as of December 31, 2023 and 2022, respectively.

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

	December 31, 2023	December 31, 2022
Deductible temporary difference		
Impairment loss	<u>\$ 7,187</u>	<u>\$ 7,187</u>

- 6) Income tax assessment

The business income tax returns of the Company and the subsidiary, Shinkong Asset, through 2020 have been assessed by the tax authorities. The business income tax

returns of the subsidiaries, Xin Fu Development and One Full, through 2021 have been assessed by the tax authorities. The business income tax returns of the subsidiaries, Hua Yang Motor, through 2022 have been assessed by the tax authorities. As SK is registered at Samoa, it does not have to file business income tax returns. Thus, the income tax assessment is not applicable. Shanghai Xin Ying had applied to local regulations; it had accrued tax payable and income tax expense.

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

27. Earnings per share (EPS)

	Unit: NT\$ per share	
	2023	2022
Basic EPS	<u>\$ 2.17</u>	<u>\$ 6.92</u>
Diluted EPS	<u>\$ 2.17</u>	<u>\$ 6.91</u>

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

Net income

	2023	2022
Net income for the calculation of basic EPS	<u>\$ 648,948</u>	<u>\$ 2,070,986</u>
Net income for the calculation of diluted EPS	<u>\$ 648,948</u>	<u>\$ 2,070,986</u>

Number of shares

	Unit: In thousands of shares	
	2023	2022
Weighted average number of common shares used for calculation of basic earnings per share	299,237	299,237
Effect of potentially dilutive common shares: Employee compensation	<u>421</u>	<u>594</u>

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	<u>2023</u>	<u>2022</u>
Weighted average number of common shares used for calculation of diluted earnings per share	<u>299,658</u>	<u>299,831</u>

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

28. Cash Flow Information

1) Non-cash transactions

Besides disclosures in other notes, the consolidated Company engaged in the following non-cash investing activities for the years of 2023 and 2022:

- a. The consolidated Company reclassified prepayments for equipment of NT\$1,285 thousand and NT\$29,0450 thousand to PP&E for the years of 2023 and 2022, respectively (please refer to Note 14 for details);
- b. The consolidated Company reclassified construction in the process of NT\$259,818 thousand to investment properties for the year of 2023 (please refer to Notes 14 and 16 for details);
- c. Reconcile payable in cash of the acquisition of property, plant, equipment, and investment properties are as follows:

	<u>2023</u>	<u>2022</u>
Additions in the year	\$ 332,257	\$ 282,130
Equipment payable and changes in project expense	(<u>44,589</u>)	<u>-</u>
Payment in cash for the acquisition of property, plant, equipment, and investment properties	<u>\$ 287,668</u>	<u>\$ 282,130</u>

- d. The consolidated Company reclassified material expenses of NT\$434 thousand to PP&E for the year of 2023.

- e. The Company reclassified financial assets measured at fair value through other comprehensive income of NT\$537,934 thousand to investments accounted for using the equity method in 2023 (please refer to Note 13 for details).
- f. The consolidated Company reclassified prepaid land expenses of NT\$23,578 thousand to PP&E for the period for the year of 2023 (please refer to Note 14 for details);
- g. The consolidated Company reclassified prepayments for goods of NT\$109 thousand and NT\$2,162 thousand to PP&E for the years of 2023 and 2022, respectively (please refer to Note 14 for details);
- h. The consolidated Company reclassified construction in process of NT\$29 thousand to miscellaneous purchases in 2022 (please refer to Note 14 for details)
- i. The consolidated Company reclassified construction in process of NT\$29 thousand to miscellaneous expenses in 2022 (please refer to Note 14 for details)
- j. The consolidated Company reclassified prepaid land expenses of NT\$86,918 thousand to investment properties for the period for the year of 2022 (please refer to Note 16 for details);
- k. The consolidated Company reclassified prepaid expenses of NT\$180 thousand to intangible assets for the year of 2022 (please refer to Note 17 for details);
- l. The consolidated Company reclassified investment prepayments of NT\$100,000 thousand to financial assets at fair value through other comprehensive profit and loss - non-current for the year of 2022 (please refer to Note 8 for details);
- m. The amount of cash collected by the consolidated Company from disposal of non-current assets to be sold in 2022 is reconciled as follows:

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

2) Changes in liabilities from financing activities

2023

	January 1, 2023	Cash Flows	Non-cash Changes				Number of Interest Paid	December 31, 2023	
			Additional Leases	Interest Expenses	Remeasurement on Modification	Remeasurement on Termination			Other
Lease liabilities (Note 15)	\$184,794	(\$ 47,551)	\$ 18,165	\$ 1,782	\$ 3,380	\$ -	\$ -	(\$ 1,782)	\$158,788

2022

	January 1, 2022	Cash Flows	Non-cash Changes				Number of Interest Paid	December 31, 2022	
			Additional Leases	Interest Expenses	Remeasurement on Modification	Remeasurement on Termination			Other
Lease liabilities (Note 15)	<u>\$155,007</u>	<u>(\$ 46,745)</u>	<u>\$100,235</u>	<u>\$ 1,686</u>	<u>(\$ 2,516)</u>	<u>(\$ 21,125)</u>	<u>(\$ 62)</u>	<u>(\$ 1,686)</u>	<u>\$184,794</u>

29. Capital Risk Management

The consolidated Company carries out capital management to ensure that entities within the consolidated Company will be able to continue as a going concern while maximizing the return to shareholders through the optimization of the debt and equity balance.

The consolidated Company's capital structure consists of net debts (i.e., borrowings less cash and cash equivalents) and equity (i.e., share capital, capital surplus, retained earnings, other equity and non-controlling interests item).

The consolidated Company is not subject to any other external capital requirements.

The consolidated Company's key management reassesses the capital structure quarterly. The review includes assessment of various costs of capital and related risks. According to the key management's recommendations, the consolidated Company balances its overall capital structure through the payment of dividends, issuance of shares, repurchase of shares, issuance of new debts, repayment of old debts, etc.

30. Financial instruments

1) Information on fair value - financial instruments not measured at fair value

The consolidated Company's management thinks that the carrying amounts of financial assets not at fair value are close to their fair values due to short maturity terms or a future consideration receivable/payable approximating the carrying amount.

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

a. Fair value hierarchy

December 31, 2023

	Level 1	Level 2	Level 3	Total
<u>Measured at fair value through profit or loss</u>				
Domestic stocks listed or emerging stocks	\$ 23,960	\$ -	\$ -	\$ 23,960
Fund beneficiary certificates	<u>427,233</u>	<u>-</u>	<u>-</u>	<u>427,233</u>
Total	<u>\$ 451,193</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 451,193</u>

Financial assets at fair value through other comprehensive profit and loss

Investments in equity instruments				
— Domestic stocks listed or emerging stocks	\$ 5,106,887	\$ -	\$ -	\$ 5,106,887
— Domestic stocks not listed	<u>-</u>	<u>-</u>	<u>2,089,260</u>	<u>2,089,260</u>
Total	<u>\$ 5,106,887</u>	<u>\$ -</u>	<u>\$ 2,089,260</u>	<u>\$ 7,196,147</u>

December 31, 2022

	Level 1	Level 2	Level 3	Total
<u>Measured at fair value through profit or loss</u>				
Domestic stocks listed or emerging stocks	\$ 28,698	\$ -	\$ -	\$ 28,698
Fund beneficiary certificates	<u>540,132</u>	<u>-</u>	<u>-</u>	<u>540,132</u>
Total	<u>\$ 568,830</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 568,830</u>

Financial assets at fair value through other comprehensive profit and loss

Investments in equity instruments				
— Domestic stocks listed or emerging stocks	\$ 4,643,453	\$ -	\$ -	\$ 4,643,453
— Domestic stocks not listed	<u>-</u>	<u>-</u>	<u>1,888,998</u>	<u>1,888,998</u>
Total	<u>\$ 4,643,453</u>	<u>\$ -</u>	<u>\$ 1,888,998</u>	<u>\$ 6,532,451</u>

There was no transfer between Level 1 and Level 2 fair value measurements in 2023 and 2022.

b. Reconciliation of Level 3 fair value measurement of financial instruments
2023

	Financial assets at fair value through other comprehensive profit and loss
	Equity instruments
Financial assets	
Balance at the beginning of the year	\$ 1,888,998
Recognized in other comprehensive profit and loss (unrealized gains (losses) on financial assets at fair value through other comprehensive profit and loss)	124,005
Addition	100,000
Disposals	(22,763)
Liquidation	(980)
Balance at the end of the year	<u>\$ 2,089,260</u>

2022

	Financial assets at fair value through other comprehensive profit and loss
	Equity instruments
Financial assets	
Balance at the beginning of the year	\$ 1,672,275
Recognized in other comprehensive profit and loss (unrealized gains (losses) on financial assets at fair value through other comprehensive profit and loss)	117,047
Reclassifications	100,000
Liquidation	(324)
Balance at the end of the year	<u>\$ 1,888,998</u>

c. Valuation techniques and inputs of Level 3 fair value measurement

The fair value of investments in unlisted stocks without active market is estimated using the market approach.

The market approach estimates the fair value with reference to valuation multiples of comparable companies using a liquidity discount rate. The material unobservable inputs used are with liquidity discount rates of 10% to 30%.

3) Category of financial instruments

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>Financial assets</u>		
Measured at fair value through profit or loss		
Mandatorily measured at fair value through profit or loss	\$ 427,233	\$ 540,132
Designated as at fair value through profit or loss	23,960	28,698
Financial assets at amortized cost (Note 1)	2,150,739	1,821,363
Financial assets at fair value through other comprehensive profit and loss		
Investments in equity instruments	7,196,147	6,532,451
<u>Financial liabilities</u>		
Measured at amortized cost (Note 2)	4,284,073	3,896,939

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

Note 2: The balance includes financial liabilities at amortized costs such as short-term borrowings, long-term borrowings, short-term bills payable, notes and accounts payable, other payables, and guarantee deposits received.

4) Financial risk management objectives and policies

Major financial instruments of the consolidated Company include cash and cash equivalents, financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive profit and loss, accounts receivable, short-term borrowing, short-term bills payable and accounts payable. The financial management department of the consolidated Company provides services for the business units, coordinates access to the domestic and overseas financial market, and supervises and manages financial risks related to the operation of the consolidated Company through internal risk reports which analyze risk exposures by the degree and magnitude of risks. Such risks include market risk (including foreign exchange risk, interest rate risk, and other price risk), credit risk, and liquidity risk.

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

a. Market risk

The consolidated Company's business activities exposed itself primarily to the financial risks of foreign exchange risk (refer to (1) below), interest rate risk (refer to (2) below) and other price risk (refer to (3) below):

a) Foreign exchange risk

The Company and several subsidiaries undertake product sales and purchases in foreign currencies; thus, the consolidated Company is exposed to risks of exchange rate fluctuations. Approximately 40% to 45% of the sales and 20% to 25% of the costs are denominated in currencies other than the functional currency in the consolidated Company. The consolidated Company manages its exposure to foreign exchange risk by dynamically adjusting the overall position of assets and liabilities denominated in currencies other than the functional currency in calculating its foreign exchange risk.

For the carrying amount of the consolidated Company's monetary assets and liabilities denominated in currencies other than the functional currency on the balance sheet date, please refer to Note 34.

Sensitivity analysis

The consolidated Company is mainly exposed to U.S. dollar fluctuations.

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

Unit: In Thousands of New Taiwan Dollars

	Impact of USD	
	2023	2022
Profit or loss	\$ 10,335(i)	\$ 7,798(i)

- (i) The amount was mainly from the consolidated Company's receivables and payables denominated in USD that were outstanding as of the balance sheet date and were not covered by cash flow hedges.

The increase in the sensitivity to exchange rate of the consolidated Company in the year was mainly due to an increase in sales denominated in USD which resulted in an increased balance of accounts receivables denominated in USD.

b) Interest rate risk

The consolidated Company was exposed to interest rate risk because entities within the consolidated Company borrowed funds at both fixed and floating interest rates. The consolidated Company does not engage in interest rate hedging instruments at present. The management constantly monitors interest rate exposure and will adopt necessary measures to manage the risk arising from significant changes in market interest rates shall the need arises.

The carrying amounts of the consolidated Company's financial assets and financial liabilities exposed to interest rate risk on the balance sheet date are as follows:

	December 31, 2023	December 31, 2022
Fair value interest rate risk		
Financial assets	\$ 655,834	\$ 789,438
Financial liabilities	158,789	184,794
Cash flow interest rate risk		
Financial assets	966,406	601,266
Financial liabilities	3,548,711	3,229,082

The consolidated Company is exposed to cash flow interest rate risk for bank borrowings at floating interest rate. The situation is in compliance with the consolidated Company's policy to keep its borrowings at floating interest

rates in order to minimize the fair value interest rate risk. The consolidated Company's cash flow interest rate risk is mainly caused by the fluctuation of benchmark interest rate in relation to the borrowings denominated in foreign currencies.

Sensitivity analysis

The sensitivity analysis below is prepared based on the risk exposure of non-derivative instruments to the interest rates on the balance sheet date. For liabilities at floating interest rates, the analysis assumes they are outstanding throughout the reporting period if they are outstanding on the balance sheet date. The 1% change in interest rate is used for internal reporting on interest rate to key management and it also represents management's assessment of the reasonably possible changes in interest rates.

If the interest rate increased/decreased by 1%, the consolidated Company's net income would increase/decrease by NT\$20,658 thousand and NT\$21,023 thousand for the years of 2023 and 2022, respectively. This was mainly due to the consolidated Company's interest rate exposure from borrowings at floating interest rates.

The increase in the sensitivity to interest rate of the consolidated Company in the current year was mainly due to an increase in borrowings at floating interest rates.

c) Other price risk

The consolidated Company is exposed to equity price risk due to its investments in equity securities. Equity price risk mostly comes from investments in financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive profit and loss (mainly investments in fund beneficial certificates and listed stocks in Taiwan.) The consolidated Company's management maintains a portfolio of investments with different risks for risk management purpose. Also, investments in equity instruments are all subject to the approval of the management.

Sensitivity analysis

The sensitivity analysis below is carried out based on the exposure to equity price risk on the balance sheet date.

For the years of 2023 and 2022, if the equity price increased/decreased by 1%, the profit or loss after tax would increase/decrease by NT\$240 thousand and NT\$287 thousand, respectively, due to the increase/decrease in fair value of financial assets at fair value through profit or loss and the other comprehensive profit and loss after tax would increase/decrease by NT\$71,961 thousand and NT\$65,325 thousand, respectively, due to the increase/decrease in the fair value of financial assets at fair value through other comprehensive profit and loss.

b. Credit risk

Credit risk refers to the risk that counterparties will default on its contractual obligations, resulting in a financial loss to the consolidated Company. As of the balance sheet date, the consolidated Company's maximum exposure to credit risk due to financial losses from counterparty's unfulfillment of obligations and financial guarantees provided by the consolidated Company (i.e., the maximum irrevocable exposure excluding collaterals or other credit enhancement tools) was the carrying amounts of financial assets recognized in the consolidated balance sheets.

As the consolidated Company has a broad customer base and customer are unrelated to each other, the concentration of credit risk is low.

c. Liquidity risk

The consolidated Company maintains a level of cash and cash equivalents deemed adequate to finance the consolidated Company's operations and mitigate the effects of cash flow fluctuations. The consolidated Company's management supervises the use of credit lines and ensures the compliance with the terms of the loan contracts.

Bank borrowings are a major source of liquidity for the consolidated Company. Please refer to (2) Line of credit below for unused credit facilities of the consolidated Company.

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

The maturity profile of the consolidated Company's non-derivative financial liabilities is prepared based on the earliest repayment dates and contractual undiscounted cash flows. Thus, the consolidated Company's bank borrowings subject to repayments on demand are included in the earliest time intervals regardless of the probability of the banks choosing to exercise their rights immediately. The maturity analysis of other non-derivative financial liabilities is based on the agreed repayment dates.

December 31, 2023

	Effective Interest Rate (%)	Less than 1 month	1 - 3 months	3 months - 1 year	1 - 5 years	More than 5 years
<u>Current liabilities</u>						
Lease liabilities	0.9~2.3205	\$ 4,417	\$ 8,834	\$ 36,889	\$ 111,817	\$ -
Short-term borrowings	1.7~2.1473	880,000	2,166,000	-	-	-
Long-term borrowings	2.2437~2.3718	-	-	-	80,945	321,835
Short-term bills payable	1.45	99,931	-	-	-	-
		<u>\$ 984,348</u>	<u>\$ 2,174,834</u>	<u>\$ 36,889</u>	<u>\$ 192,762</u>	<u>\$ 321,835</u>

Further information on the maturity analysis of lease liabilities is listed as follows:

	Less than 1 year	1 - 5 years	5 - 10 years	10 - 15 years	15 - 20 years	20 years and above
Lease liabilities	<u>\$ 50,140</u>	<u>\$111,817</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

December 31, 2022

	Effective Interest Rate (%)	Less than 1 month	1 - 3 months	3 months - 1 year	1 - 5 years	More than 5 years
<u>Current liabilities</u>						
Lease liabilities	0.9~1.6914	\$ 4,193	\$ 8,112	\$ 35,271	\$ 141,460	\$ -
Short-term borrowings	1.55~2.0151	670,000	2,400,000	-	-	-
Long-term borrowings	2.0519~2.229	-	-	-	23,472	134,611
		<u>\$ 674,193</u>	<u>\$ 2,408,112</u>	<u>\$ 35,271</u>	<u>\$ 164,932</u>	<u>\$ 134,611</u>

Further information on the maturity analysis of lease liabilities is listed as follows:

	Less than 1 year	1 - 5 years	5 - 10 years	10 - 15 years	15 - 20 years	20 years and above
Lease liabilities	<u>\$ 47,576</u>	<u>\$141,460</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The above amounts of non-derivative financial liabilities with floating interest rates are subject to changes due to differences between the floating interest rates and the interest rates estimated as of the balance sheet date.

b) Line of credit

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Credit facilities		
— Amount used	\$ 3,448,780	\$ 3,229,082
— Unused amount	<u>8,631,220</u>	<u>8,250,918</u>
	<u>\$ 12,080,000</u>	<u>\$ 11,480,000</u>

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	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Credit from commercial papers		
— Amount used	\$ 100,000	\$ -
— Unused amount	<u>1,250,000</u>	<u>1,350,000</u>
	<u>\$ 1,350,000</u>	<u>\$ 1,350,000</u>

31. Related Party Transactions

All transactions between the Company and its subsidiaries (i.e., related parties of the Company), account balances, income, and expenses are eliminated upon consolidation and therefore are not shown in the note. Besides disclosures in other notes, the consolidated Company engaged in the following transactions with other related parties:

1) Names and relations of related parties

<u>Name of related party</u>	<u>Relationship with the consolidated Company</u>
Shang De Motor Co., Ltd.	Associate
Lian Quan Investment Co., Ltd.	Associate
WPI-HIGH STREET,LLC	Associate
Chyang Sheng Dyeing & Finishing Co., Ltd.	Associates (de facto related party prior to August 2023)
Shin Kong Life Insurance Co., Ltd.	De facto related party
Taishin International Bank Co., Ltd.	De facto related party
Shin Kong Wu Huo-Shih Memorial Hospital under Shin Kong Medical Foundation	De facto related party
Shin Kong Investment Trust Co., Ltd.	De facto related party
Shin Kong Commercial Bank Co., Ltd.	De facto related party
The Great Taipei Gas Corporation	De facto related party
UBright Optronics Corp.	De facto related party
Taishin D.A. Finance Co., Ltd.	De facto related party
Taiwan Security Co., Ltd.	De facto related party
Taiwan Shin Kong Security Co., Ltd.	De facto related party
Waibel Enterprise Inc.	De facto related party
Shinkong Mitsukoshi Department Store Co., Ltd.	De facto related party
Shinkong Synthetic Fibers Corporation	De facto related party
Shinkong Insurance Co., Ltd.	De facto related party
Shinkong Materials Technology Co., Ltd.	De facto related party
Shin-Kong Life Real Estate Service Co., Ltd.	De facto related party
Cheng Cheng Co., Ltd.	De facto related party
Cheng Qian Co., Ltd.	De facto related party
ShinKong Co., Ltd.	De facto related party
Yi Kong Security Co., Ltd.	De facto related party

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Name of related party	Relationship with the consolidated Company
Yi Guang International Apartments Maintenance and Management Co., Ltd.	De facto related party
Shin Kong Recreation Co., Ltd.	De facto related party
Pan Asian Plastics Corp.	De facto related party
Taipei Star Bank Co., Ltd.	De facto related party
Chichen Co., Ltd.	De facto related party
Taishin Financial Holding Co., Ltd.	De facto related party
Shin Kong Education Foundation	De facto related party
Si Si Co., Ltd.	De facto related party
Shin-Kong Communication Co., Ltd.	De facto related party
Taishin Securities Co., Ltd.	De facto related party

2) Operating transactions

Financial Statement			
Account	Type/Name of Related Party	2023	2022
Sales revenue	Shinkong Mitsukoshi Department Store Co., Ltd.	\$ 303,951	\$ 256,533
	Shinkong Insurance Co., Ltd.	7,301	15,258
	De facto related party	<u>14,825</u>	<u>17,977</u>
		<u>\$ 326,077</u>	<u>\$ 289,768</u>
Rental revenue	Yi Guang International Apartments Maintenance and Management Co., Ltd.	\$ 33,814	\$ 41,106
	Shin Kong Wu Huo-Shih Memorial Hospital under Shin Kong Medical Foundation	39,094	39,094
	Taishin International Bank Co., Ltd.	27,111	26,892
	UBright Optronics Corp.	22,195	21,425
	De facto related party	<u>10,709</u>	<u>10,606</u>
		<u>\$ 132,923</u>	<u>\$ 139,123</u>

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

Rents were negotiated between the consolidated Company and each of the above related party, and collected by the parties on monthly bills.

3) Purchases

Financial Statement Account	Type/Name of Related Party	2023	2022
Purchases	Chyang Sheng Dyeing & Finishing Co., Ltd.	\$ 112,628	\$ 156,826
	Shinkong Synthetic Fibers Corporation	<u>41,827</u>	<u>37,084</u>
		<u>\$ 154,455</u>	<u>\$ 193,910</u>

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

4) Contract liabilities

Type of Related Party	December 31, 2023	December 31, 2022
De facto related party	<u>\$ 5,833</u>	<u>\$ 6,061</u>

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

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

Financial Statement Account	Type of Related Party	December 31, 2023	December 31, 2022
Notes receivable	De facto related party	<u>\$ 7</u>	<u>\$ 8</u>
Accounts receivable	Shinkong Mitsukoshi Department Store Co., Ltd.	\$ 60,837	\$ 44,831
	De facto related party	<u>6,237</u>	<u>1,854</u>
		<u>\$ 67,074</u>	<u>\$ 46,685</u>

No guarantee is required for the outstanding amount of receivables from related parties. No loss allowances were set aside for receivables from related parties for the years of 2023 and 2022.

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

Financial Statement Account	Type of Related Party	December 31, 2023	December 31, 2022
Notes payable	Chyang Sheng Dyeing & Finishing Co., Ltd.	\$ 38,884	\$ 36,204
	De facto related party	<u>656</u>	<u>437</u>
		<u>\$ 39,540</u>	<u>\$ 36,641</u>
Accounts payable	Chyang Sheng Dyeing & Finishing Co., Ltd.	\$ 2,366	\$ 5,857
	De facto related party	<u>7,973</u>	<u>755</u>
		<u>\$ 10,339</u>	<u>\$ 6,612</u>
Other payables	De facto related party	<u>\$ 2,302</u>	<u>\$ 1,822</u>

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

7) Prepayments

Type of Related Party	December 31, 2023	December 31, 2022
Shinkong Insurance Co., Ltd.	\$ 393	\$ 220
De facto related party	<u>-</u>	<u>88</u>
	<u>\$ 393</u>	<u>\$ 308</u>

8) Lease in agreements

Financial Statement Account	Type of Related Party	December 31, 2023	December 31, 2022
Lease liabilities	Chyang Sheng Dyeing & Finishing Co., Ltd.	<u>\$ 43,842</u>	<u>\$ 56,157</u>

Type/Name of Related Party	2023	2022
<u>Interest Expenses</u>		
Chyang Sheng Dyeing & Finishing Co., Ltd.	\$ 520	\$ 373
Shin Kong Life Insurance Co., Ltd.	<u>-</u>	<u>10</u>
	<u>\$ 520</u>	<u>\$ 383</u>

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

9) Lease out agreements

Operating lease

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

Type/Name of Related Party	December 31, 2023	December 31, 2022
Shin Kong Wu Huo-Shih Memorial Hospital under Shin Kong Medical Foundation	\$ 74,929	\$ 35,836
UBright Optronics Corp.	73,953	59,236
Taishin International Bank Co., Ltd.	56,436	83,548
De facto related party	<u>20,954</u>	<u>31,615</u>
	<u>\$226,272</u>	<u>\$210,235</u>

Please refer to Note 31(2) Operating Revenue for information on rental revenue.

10) Disposal of investment properties

Type/Name of Related Party	Disposal proceeds		Gains (Losses) on disposal	
	2023	2022	2023	2022
Shin Kong Wu Huo-Shih Memorial Hospital under Shin Kong Medical Foundation	\$ -	\$ 1,630,766	\$ -	\$ 1,511,741

11) Acquisition of other assets

Type/Name of Related Party	Financial Statement Account	Proceeds acquired	
		2023	2022
Chyang Sheng Dyeing & Finishing Co., Ltd.	Right-of-use assets	-	-
	buildings	\$ -	\$ 63,281

12) Disposal of other assets

Type/Name of Related Party	Financial Statement Account	Disposal proceeds		Gains (Losses) on disposal	
		2023	2022	2023	2022
Shin Kong Life Insurance Co., Ltd.	Right-of-use assets - buildings	\$ -	\$ 12,975	\$ -	\$ 342

13) Acquisition of financial assets

Unit: In Thousands of Shares

2023

Name of Related Party	Financial Statement Account	No. of Transaction Unit	Object of transaction	Proceeds acquired
Chyang Sheng Dyeing & Finishing Co., Ltd.	Financial assets at fair value through other comprehensive profit and loss - current	552	Chyang Sheng Dyeing & Finishing Co., Ltd. - common stocks	\$ 8,411

2022

Name of Related Party	Financial Statement Account	No. of Transaction Unit	Object of transaction	Proceeds acquired
Chyang Sheng Dyeing & Finishing Co., Ltd.	Financial assets at fair value through other comprehensive profit and loss - current	2,308	Chyang Sheng Dyeing & Finishing Co., Ltd. - common stocks	\$ 32,159
Shin Kong Investment Trust Co., Ltd.	Financial assets at fair value through profit or loss - current	1,000	Shin Kong Taiwan High Dividend Fund	10,000
				\$ 42,159

14) Disposal of financial assets

Unit: In Thousands of Shares

2023

Name of Related Party	Financial Statement Account	No. of stock exchange	Object of transaction	Disposal proceeds	Gains and Losses on disposal
Shin Kong Investment Trust Co., Ltd.	Financial assets at fair value through profit or loss - current	1,000	Shin Kong Taiwan High Dividend Fund	\$ 10,350	\$ 350

15) Endorsements and guarantees

Endorsements and guarantees provided to others

<u>Type/Name of Related Party</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Shang De Motor Co., Ltd.		
Guarantee Amount	<u>\$ 72,360</u>	<u>\$ 72,360</u>
Amount Actually Drawn	<u>\$ 72,360</u>	<u>\$ 72,360</u>

16) Other

<u>Financial Statement Account</u>	<u>Type of Related Party</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Cash and cash equivalent	Shin Kong Commercial Bank Co., Ltd.	\$ 653,695	\$ 254,379
	Taishin International Bank Co., Ltd.	104,816	87,778
	De facto related party	<u>78</u>	<u>78</u>
		<u>\$ 758,589</u>	<u>\$ 342,235</u>
Refundable deposits	Chyang Sheng Dyeing & Finishing Co., Ltd.	\$ 3,874	\$ 3,409
	Shin Kong Wu Huo-Shih Memorial Hospital under Shin Kong Medical Foundation	20	3,842
	De facto related party	<u>-</u>	<u>20</u>
		<u>\$ 3,894</u>	<u>\$ 7,271</u>
Guarantee deposits received	Shin Kong Wu Huo-Shih Memorial Hospital under Shin Kong Medical Foundation	\$ 16,289	\$ 16,289
	Related party in substance	<u>12,569</u>	<u>12,593</u>
		<u>\$ 28,858</u>	<u>\$ 28,882</u>
Financial assets at amortized cost	Shin Kong Commercial Bank Co., Ltd.	<u>\$ 700</u>	<u>\$ 501,800</u>

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Financial Statement Account	Type of Related Party	December 31, 2023	December 31, 2022
Operating expenses	De facto related party	<u>\$ 23,574</u>	<u>\$ 21,903</u>
Non-operating income	Chyang Sheng Dyeing & Finishing Co., Ltd.	\$ 477	\$ 268
	Shang De Motor Co., Ltd.	603	358
	De facto related party	<u>9,232</u>	<u>2,055</u>
		<u>\$ 10,312</u>	<u>\$ 2,681</u>
Non-operating expenses	De facto related party	<u>\$ 19</u>	<u>\$ 10</u>

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

Name of Related Party	Details	December 31, 2023	December 31, 2022
Shin Kong Commercial Bank Co., Ltd.	Shares of Shinkong Insurance Co., Ltd.	10,000 thousand shares	10,000 thousand shares
Taishin International Bank Co., Ltd.	Shares of Shinkong Insurance Co., Ltd.	10,000 thousand shares	10,000 thousand shares

17) Remuneration to key management personnel

	2023	2022
Short-term employee benefits	\$ 27,590	\$ 27,685
Post-employment benefits	<u>641</u>	<u>667</u>
	<u>\$ 28,231</u>	<u>\$ 28,352</u>

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

32. Pledged Assets

The following assets have been provided as collateral for borrowings:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Financial assets at fair value through other comprehensive profit and loss - non-current	\$ 2,517,520	\$ 2,051,880
Investment properties	2,838,570	2,857,111
Pledged time deposits (recognized as financial assets at amortized cost)	<u>12,700</u>	<u>1,800</u>
	<u>\$ 5,368,790</u>	<u>\$ 4,910,791</u>

33. Significant Contingent Liabilities and Unrecognized Contract Commitments

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

Significant commitments

- 1) As of December 31, 2023 and 2022, the guaranteed notes submitted by the Company for import credits and other businesses amounted to NT\$5,682 thousand and NT\$28,851 thousand, respectively.
- 2) Due to the construction of plant office buildings, the consolidated Company signed the following agreements:
 - a. The contract for work of building project in Shilin Dist., Taipei City was NT\$1,038,033 thousand. As of December 31, 2023, NT\$330,449 thousand of the construction cost has been paid.
 - b. The contract for work of building project in Shilin Dist., Taipei City was NT\$3,177,024 thousand. As of December 31, 2023, NT\$105,977 thousand of the land cost for the use of transferable development right has been paid.
- 3) The consolidated Company intends to acquire CWRE Special Situations Fund and will make installment payments totaling no more than US\$10,000 thousand starting in 2024.

34. Information on Foreign Currency-denominated Assets and Liabilities of Significant Influence

The following information is aggregated by foreign currencies other than functional currency of entities within the consolidated Company and the exchange rates used to translate foreign currencies into the functional currency are disclosed. Foreign currency-denominated assets and liabilities of significant influence are as follows:

December 31, 2023

	<u>Foreign Currency</u>	<u>Exchange Rate</u>	<u>Carrying amount</u>
Assets denominated in foreign currency			
<u>Monetary items</u>			
USD	\$ 42,191	30.705	\$1,295,461
Euro	317	33.98	10,763
GBP	94	39.15	3,698
Liabilities denominated in foreign currency			
<u>Monetary items</u>			
USD	118	30.705	3,628
Euro	22	33.98	762
GBP	3	39.15	117

December 31, 2022

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

The consolidated Company's (realized and unrealized) foreign exchange gains and losses for the years of 2023 and 2022 amounted to a profit of NT\$13,286 thousand and a loss of NT\$66,274 thousand, respectively. Since the consolidated Company transacted in a number of foreign currencies, foreign exchange gain (loss) cannot be disclosed by foreign currencies with significant impact.

35. Additional Disclosures in Notes to the Financial Report

- 1) Related Information on Significant Transactions:
 - a. Financing provided to others. (Table 1)
 - b. Endorsements and guarantees provided to others. (Table 2)
 - c. Marketable securities held at the end of this period (excluding investments in subsidiaries, associates and controlled joint ventures). (Table 3)
 - d. Individual securities acquired or disposed of with accumulated amount of at least NT\$300 million or 20% of the paid-in capital. (None)
 - e. Acquisition of individual real estate with amount of at least NT\$300 million or 20% of the paid-in capital. (Table 4)
 - f. Disposal of individual real estate with amount of at least NT\$300 million or 20% of the paid-in capital. (None)
 - g. Related party transactions with purchase or sales amount of at least NT\$100 million or 20% of the paid-in capital. (Table 5)
 - h. Accounts receivables from related parties of at least NT\$100 million or 20% of the paid-in capital. (None)
 - i. Derivative financial instrument transactions. (None)
 - j. Others: Intercompany relationships and significant intercompany transactions. (None)
- 2) Related Information on Investees (Table 6)
- 3) Information on Investments in Mainland China:
 - a. For investees in mainland China, please show the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in mainland China. (Table 7)
 - b. Any of the following significant transactions with investees in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses: (None)
 - a) Purchase amount and percentage, and the closing balance and percentage of the related payables.
 - b) Sales amount and percentage, and the closing balance and percentage of the related receivables.
 - c) Property transaction amount and the resulting gain or loss.

- d) Ending balances and purposes of endorsements/guarantees or collateral provided.
 - e) The maximum balance, ending balance, interest rate range and total amount of interest of financing for the current year.
 - f) Other transactions having a significant influence on profit or loss or financial status of the current year, such as providing or receiving services.
- 4) Information on major shareholders: Name, number of shares held, and shareholding percentage of shareholders with shareholding percentage exceeding 5%. (Table 8)

36. Segment Information

The information provided to the Group's chief operating decision-maker for resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided. The consolidated Company's reportable segments are as follows:

Marketing Department (domestic and overseas sale of finished fabrics, market extension and export-related businesses)

Retail Department (domestic directly operated stores and channels expansion as well as counter sales and management)

Real Estate Department (land development and real estate leasing)

(1) Department revenue and operation performance

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

	2023			
	Sales Department	Retail Department	Real Estate Department	Total
Revenue from external customers	\$ 2,229,183	\$ 779,941	\$ 373,821	\$ 3,382,945
Intersegment revenue	(959)	577	7,440	7,058
Segment revenue	<u>\$ 2,228,224</u>	<u>\$ 780,518</u>	<u>\$ 381,261</u>	3,390,003
Internal elimination				(7,058)
Consolidated revenue				<u>\$ 3,382,945</u>
Segment profit or loss	<u>\$ 233,237</u>	<u>\$ 29,901</u>	<u>\$ 238,400</u>	\$ 501,538
Indirect expenses				(141,794)
Interest income				23,183
Other income				370,408
Other gains and losses				(5,238)

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	2023			
	Sales Department	Retail Department	Real Estate Department	Total
Finance costs				(53,452)
Share of profit (loss) of associates and joint ventures accounted for using the equity method				<u>78,322</u>
Net income before tax				<u>\$ 772,967</u>

	2022			
	Marketing Department	Retail Department	Real Estate Department	Total
Revenue from external customers	\$ 2,220,377	\$ 761,835	\$ 367,077	\$ 3,349,289
Intersegment revenue	<u>3,378</u>	<u>3,987</u>	<u>7,383</u>	<u>14,748</u>
Segment revenue	<u>\$ 2,223,755</u>	<u>\$ 765,822</u>	<u>\$ 374,460</u>	3,364,037
Internal elimination				(<u>14,748</u>)
Consolidated revenue				<u>\$ 3,349,289</u>
Segment profit or loss	<u>\$ 178,388</u>	<u>\$ 50,233</u>	<u>\$ 222,590</u>	\$ 451,211
Indirect expenses				(150,956)
Interest income				6,610
Other income				365,057
Other gains and losses				1,554,277
Finance costs				(36,438)
Share of profit (loss) of associates and joint ventures accounted for using the equity method				<u>73,760</u>
Net income before tax				<u>\$ 2,263,521</u>

Segment profit or loss refers to profits of various departments, excluding non-operating income and expenses and income tax expenses. This amount of measurement is provided to the main operation decision makers, to be used for distribution of resources to the departments and assessing their performance.

(2) Information on Major Customers

In 2023 and 2022, no single customer generated more than 10% of the total revenue of the consolidated Company.

Shinkong Textile Co., Ltd. and Subsidiaries
Lending Funds to Others
2023

Table 1Unit: In Thousands of New Taiwan Dollars

No.	The Company providing funds to others	Counterparty	Item of Transaction	Whether a Related Party	Maximum Balance for the Period	Balance at the End of the Period	Amount Actually Drawn	Interest Rate	Nature of Financing Provided	Transaction Amount	Reason for Short-term Financing	Loss Allowance	Collateral		Financing Limit for Individual Borrower	Limit on Total Amount of Funds Being Lent	Note
													Name	Value			
1	Shinkong Asset Management Co., Ltd.	Xin Fu Development Co., Ltd.	Receivables from related parties	Yes	\$ 480,000	\$ 400,000	\$ -	1.3-1.725%	Necessity of short-term financing	\$ -	Operating turnover	\$ -		\$ -	\$ 1,035,314	\$ 9,202,943	Note 3
1	Shinkong Asset Management Co., Ltd.	Shinkong Textile Co., Ltd.	Receivables from related parties	Yes	300,000	-	-	1.70%	Necessity of short-term financing	-	Operating turnover	-		-	1,035,314	9,202,943	Note 3

Note 1: The numbers to be filled are described as follows:
(1) For the issuer, fill in 0.
(2) Investees are numbered sequentially starting from 1 according to the company type.

Note 2: Financing Provision of Shinkong Textile Co., Ltd.:
For financing provided to a company or firm that needs short-term financing, the total financing amount shall not exceed 40% of the Company's net worth; the total financing provided to a single party shall be limited to 10% of the Company's net worth.
Maximum amount of financing to companies or firms requiring short-term financing: 13,147,061 x 40% = 5,258,824
Maximum amount permitted to a single borrower: 13,147,061 x 10% = 1,314,706

Note 3: Financing provided to Shinkong Asset Management Co., Ltd.:
For financing provided to a company or firm that needs short-term financing, the total financing amount shall not exceed 70% of the parent company's net worth and each financing provided to a single party shall not exceed 20% of the parent company's net worth while the total financing provided to a single party shall be limited to 40% of the lender's net worth.
Maximum amount of financing to companies or firms requiring short-term financing: 13,147,061x70%=9,202,943
Maximum amount permitted to a single borrower: 13,147,061x20% = 2,629,412 ; 2,588,286 x 40%=1,035,314

Shinkong Textile Co., Ltd. and Subsidiaries
Endorsements and Guarantees Provided to Others
2023

Table 2

Unit: In Thousands of New Taiwan Dollars

No.	Name of Endorsements and Guarantees Company	Endorsee and Guarantee		Limits on Endorsement and Guarantee Amount Provided to A Single Entity (Note 3)	Maximum Endorsement and Guarantee Balance for the Period	Balance of endorsements and guarantees at the end of the period	Amount Actually Drawn	Amount of Endorsement and Guarantee Collateralized by Property	Ratio of Accumulated Endorsement and Guarantee to Net Equity per Latest Financial Statements (%)	Maximum amount for endorsements and guarantees (Note 3)	Endorsement and Guarantee Provided by Parent for Subsidiary	Endorsement and Guarantee Provided by Subsidiary for Parent	Endorsement and Guarantee Provided for Entities in Mainland China	Note
		Name of Company	Relationship											
0	Shinkong Textile Co., Ltd.	Shang De Motor Co., Ltd.	6	\$ 2,629,412	\$ 72,360	\$ 72,360	\$ 72,360	\$ -	0.6%	\$ 6,573,531	N	N	N	Note 3
1	Shinkong Asset Management Co., Ltd.	Shinkong Textile Co., Ltd.	3	13,147,061	1,800,000	1,800,000	1,800,000	1,800,000	13.7%	13,147,061	N	Y	N	Note 3
2	Hua Yang Motor Co., Ltd.	Shinkong Textile Co., Ltd.	3	13,147,061	810,000	810,000	810,000	810,000	6.2%	13,147,061	N	Y	N	Note 3
2	Hua Yang Motor Co., Ltd.	Shinkong Asset Management Co., Ltd.	3	13,147,061	810,000	810,000	810,000	810,000	6.2%	13,147,061	N	Y	N	Note 3

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

- (1) For the issuer, fill in 0.
- (2) Investees are numbered sequentially starting from 1 according to the company type.

Note 2: The relationships between endorsers and guarantors and endorsees and guarantees are categorized into the following seven types. Please specify the type.

- (1) Companies with which the Company conducts business.
- (2) A company in which the Company directly and indirectly holds more than 50% of the voting shares.
- (3) A company that directly and indirectly holds more than 50% of the Company's voting shares.
- (4) Between companies in which the Company directly and indirectly holds more than 90% of the voting shares.
- (5) A mutual insurance company in accordance with the contract requirements of the trade or joint contractors based on the needs of the contract works.
- (6) Shareholders making endorsements and guarantees for their mutually invested company in proportion to their shareholding ratio.
- (7) Joint and several securities between companies in the same industry for performance guarantees of pre-construction homes under the Consumer Protection Act.

Note 3: The limit calculated based on the Company's Procedures for Endorsement and Guarantee is as follows:

- (1) The Company and subsidiaries' aggregate amount of endorsement and guarantee for external entities shall not exceed 50% of the Company's net worth. The maximum endorsement and guarantee for a single entity shall not exceed 20% of the Company's net worth.
- (2) According to the rules above, the maximum amount of aggregate endorsement and guarantee provided by the Company and subsidiaries was the net worth of $13,147,061 \times 50\% = 6,573,531$ and the maximum endorsement and guarantee for a single entity was the net worth of $13,147,061 \times 20\% = 2,629,412$ for the year of 2023.

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

- (3) The amount of endorsement and guarantee provided by 100%-owned subsidiaries to the parent company shall be limited to the net worth of the parent company.

Note 4: Fill in Y if a listed parent company provides endorsement and guarantee for its subsidiary or if a subsidiary provides endorsement and guarantee for its listed parent company or if endorsement and guarantee involve mainland China.

Shinkong Textile Co., Ltd. and Subsidiaries
Marketable Securities Held at the End of the Period
December 31, 2023

Table 3

Unit: In Thousands of Shares / Unit: In Thousands of New Taiwan Dollars

Holding Company	Type and Name of Securities (Note 1)	Relationship with Issuer of Securities (Note 2)	Financial Statement Account	At the end of the period				Note (Note 3)
				Number of shares (in thousand shares/thousand units)	Carrying amount	Shareholding ratio (%)	Fair value	
Shinkong Textile Co., Ltd.	Beneficiary certificates							
	GSOF Fund	None	Financial assets at fair value through profit or loss - current	18	\$ 59,612	-	\$ 59,612	
	COTTONWOOD Fund	None	"	9	359,707	-	359,707	
	MIH Climate Fund	None	"	-	7,914	-	7,914	
	Stocks - Listed Company							
	Far EasTone Telecommunications Co., Ltd.	None	"	49	3,910	-	3,910	
Shinkong Textile Co., Ltd.	TacBright Optronics Corporation	(5)	"	5,000	<u>20,050</u>	1.08	<u>20,050</u>	
					<u>\$ 451,193</u>		<u>\$ 451,193</u>	
	Stocks - Listed Company							
	Shinkong Synthetic Fibers Corporation	(3)	Financial assets at fair value through other comprehensive profit and loss - current	56,104	\$ 872,422	3.47	\$ 872,422	
	Taishin Financial Holding Co., Ltd.	(5)	"	7,815	141,452	0.06	141,452	
	Shin Kong Financial Holding	(5)	"	4,609	<u>40,788</u>	0.03	<u>40,788</u>	
Shinkong Textile Co., Ltd.					<u>\$ 1,054,662</u>		<u>\$ 1,054,662</u>	
	Stocks - Listed Company							
	Xintec Inc.	None	Financial assets at fair value through other comprehensive profit and loss - non-current	141	\$ 17,977	0.05	\$ 17,977	
	O-Bank Co., Ltd.	None	"	10,385	103,640	0.34	103,640	
	The Great Taipei Gas Corporation	(5)	"	10,738	351,133	2.08	351,133	
	Taishin Financial Holding Co., Ltd. - preferred stocks E	(5)	"	228	11,655	0.03	11,655	

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Holding Company	Type and Name of Securities (Note 1)	Relationship with Issuer of Securities (Note 2)	Financial Statement Account	At the end of the period				Note (Note 3)
				Number of shares (in thousand shares/thousand units)	Carrying amount	Shareholding ratio (%)	Fair value	
Shinkong Asset Management Co., Ltd.	Shinkong Insurance Co., Ltd.	(1)	"	51,540	3,509,842	16.31	3,509,842	10,000 thousands of shares were collateralized to Shin Kong Bank and Taishin International Bank separately with a market value of NT\$1,362,000 thousand
	Taishin Financial Holding Co., Ltd. - preferred stocks E (Second)	(5)	"	137	6,237	0.05	6,237	
	Unlisted companies Taian Insurance Co., Ltd.	None	Financial assets at fair value through other comprehensive profit and loss - non-current	2,049	\$ 70,923	0.69	\$ 70,923	
	Shin Kong Chao Feng Co., Ltd.	(5)	"	200	31,199	2.22	31,199	32,000 thousand shares were collateralized to ChinaTrust Commercial Bank with a market value of NT\$1,155,520 thousand
	Shinkong Mitsukoshi Department Store Co., Ltd.	(4)	"	41,275	1,490,456	3.31	1,490,456	
	Shin Kong Recreation Co., Ltd.	(2)	"	650	234,072	3.32	234,072	
	Eastern International Ad.	None	"	-	280	0.90	280	
	Li Yu Venture Capital Co., Ltd.	None	"	209	3,324	1.79	3,324	
	Taiwan Zeniya Interior Design Co., Ltd.	None	"	-	19,965	8.00	19,965	
	IRSO Precision Co., Ltd.	None	"	1,000	-	4.93	-	
	KHL IB Venture Capital	None	"	3,283	35,556	2.98	35,556	
	Mega Solar Energy Co., Ltd.	None	"	1,000	10,000	1.25	10,000	
	CYS Investment Co., Ltd.	None	"	10,000	93,485	18.18	93,485	
	Meihao Youjing Investment Co., Ltd.	None	"	10,000	100,000	15.63	100,000	
	Stocks - Listed Company Taishin Financial Holding Co., Ltd.	(5)	"	999	18,086	0.01	18,086	

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Holding Company	Type and Name of Securities (Note 1)	Relationship with Issuer of Securities (Note 2)	Financial Statement Account	At the end of the period				Note (Note 3)
				Number of shares (in thousand shares/thousand units)	Carrying amount	Shareholding ratio (%)	Fair value	
	Taishin Financial Holding Co., Ltd. - preferred stocks E	(5)	"	29	1,490	-	1,490	
	Taiwan Shin Kong Security Co., Ltd.	(5)	"	777	31,368	0.20	31,368	
	Shinkong Textile Co., Ltd.	Parent company	"	804	38,503	0.27	38,503	
	Taishin Financial Holding Co., Ltd. - preferred stocks E (Second)	(5)	"	17	797	-	797	
	Less: Shares of the parent company held by subsidiary				(38,503)		(38,503)	
					<u>\$ 7,196,147</u>		<u>\$ 7,196,147</u>	

Note 1: Marketable securities in the table refer to stocks, bonds, beneficiary certificates and other related derivative securities as promulgated in IFRS 9 "Financial Instruments".

Note 2: (1) The company's representative of corporate chairman and the Company's representative of corporate chairman are relatives within the second degree of kinship.

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

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

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

(5) Other related parties.

Note 3: Where marketable securities held are pledged as security or pledged for borrowings or with restrictions on their uses under some agreements, the numbers of shares and amount pledged as well as restrictions shall be stated in the Note column.

Note 4: For information on investments in subsidiaries, associates, and joint ventures, please refer to Table 6.

Shinkong Textile Co., Ltd. and Subsidiaries
Acquisition of individual real estate with amount of at least NT\$300 million or 20% of the paid-in capital
January 1 to December 31, 2023

Table 4

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

Company Which Acquired Real Estate	Property Name	Date of Transaction	Transaction Amount	Payment Status	Transaction Object	Relationship	Previous transfer data for transactions involving related parties must be provided.				Reference criteria for pricing	Objectives and usage for acquisition	Other matters agreed upon
							Owner	Relationship with the issuer	Date of transfer	Amount			
Shinkong Asset Management Co., Ltd.	Housing and Construction	2022/4/8	\$ 1,038,033	\$ 330,449	Feng Yu United Engineering Co., Ltd.	Non related parties	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable for self-constructed assets	Improving operational efficiency and revitalizing assets	None
Xin Fu Development Co., Ltd.	Housing and Construction	2023/6/6 (Note 1)	3,177,024	105,983	Chong Hong Construction Co., Ltd.	Non related parties	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable for self-constructed assets	Investing in the construction of a building for sale or rental purposes	None

Note 1: On June 6, 2023, Xin Fu Development Co., Ltd. passed a resolution during the Board of Directors meeting to enter into a joint development contract with Chong Hong Construction Co., Ltd. on October 12, 2023.

Shinkong Textile Co., Ltd. and Subsidiaries
Related party transactions with purchase or sales amount of at least NT\$100 million or 20% of the paid-in capital
January 1 to December 31, 2023

Table 5

Unit: In Thousands of New Taiwan Dollars

Companies with purchase (sales) of goods	Transaction object	Relationship	Transaction circumstance				Circumstances where the transaction conditions are different from general transactions and the reasons (Note 1)		Notes and accounts receivable (payable)		Note (Note 2)
			Purchase (sales) of goods	Amount	Proportion of total purchase (sales) of goods %	Credit period	Unit price	Credit period	Balance	Percentage of Total Notes and Accounts Receivable (Payable) (%)	
Shinkong Mitsukoshi Department Store Co., Ltd.	Shinkong Textile Co., Ltd.	De facto related party	Sale of goods	\$ 303,951	10.12%	No significant difference from general customers	—	—	\$ 60,837	14.04%	
Chyang Sheng Dyeing & Finishing Co., Ltd.	Shinkong Textile Co., Ltd.	De facto related party	Purchases	112,628	6.12%	No significant difference from general customers	—	—	41,250	12.11%	

Note 1: If the related party's transaction conditions are different from the general transaction conditions, the differences and reasons should be stated in the unit price and credit period fields.

Note 2: If there is the circumstance of advance receipt (payment), the terms of the contract, the amount and the difference from the general transaction type shall be stated in the Notes column.

Note 3: Paid-in capital refers to paid-in capital of the parent company. If the issuer's shares have no par value or the par value of each share is not NT\$10, then the transaction amount of 20% of the paid-in capital shall be calculated as 10% of the equity attributable to the owner of the parent company in the balance sheet.

Shinkong Textile Co., Ltd. and Subsidiaries
Names, Locations, and Other Information of Investees
January 1 to December 31, 2023

Table 6

Unit: In Thousands of Shares / New Taiwan Dollars

Investor	Name of investee company	Location	Principal Business Activities	Initial Investment Amount		Holding at the end of the period			Income (Loss) of the Investee	Investment Gain (Loss)	Note
				At the end of the current period	End of Last Year	Number of shares	Percentage (%)	Carrying amount			
Shinkong Textile Co., Ltd.	Shinkong Asset Management Co., Ltd.	15F, No. 44, Section 2, Zhongshan N Road, Zhongshan District, Taipei	Development and rental of housing, building and industrial factory, development of specific areas and investment, development and construction in public construction	\$ 664,719	\$ 664,719	98,000	100.00	\$ 2,549,782	\$ 99,796	\$ 98,590	Note 1, Subsidiary
"	Lian Quan Investment Co., Ltd.	6F, No. 44, Section 2, Zhongshan N Road, Zhongshan District, Taipei	Reinvestment in a wide range of businesses, including manufacturing, banking, insurance, recreation, securities, trading, general merchandises, cultural undertakings and the construction of commercial buildings and public housing units.	83,113	83,113	11,192	48.89	461,590	27,711	13,548	
"	SK INNOVATION CO., LTD.	Portcullis Trust Net Chambzs, P.O. Box1225, Apia, Samoa	General investment business	21,424	21,424	700	100.00	3,712	(4,241)	(4,241)	Subsidiary
"	Shang De Motor Co., Ltd.	No. 518, Zhongzheng Rd., Xinzhuang Dist., New Taipei City	Trading and maintenance of motor vehicles and trading of auto parts.	269,699	269,699	9,715	33.50	305,330	131,852	44,163	
"	WPI-High Street LLC	5190 Campus Dr., Newport Beach, CA 92660	General investment business	74,656	74,656	-	35.71	50,968	19,316	6,898	
	Chyang Sheng Dyeing & Finishing Co., Ltd.	No. 126, Dagong Road, Dayuan District, Taoyuan City	Outsourcing of Dyeing and Finishing	546,947	-	35,171	20.30	560,501	127,390	13,554	
Shinkong Asset Management Co., Ltd.	Xin Fu Development Co., Ltd.	15F, No. 44, Section 2, Zhongshan N Road, Zhongshan District, Taipei	Development and rental of housing, building and industrial factory, and development of specific areas	1,072,650	764,862	106,500	100.00	1,078,153	3,379	3,379	Second-tier subsidiary

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Investor	Name of investee company	Location	Principal Business Activities	Initial Investment Amount		Holding at the end of the period			Income (Loss) of the Investee	Investment Gain (Loss)	Note
				At the end of the current period	End of Last Year	Number of shares	Percentage (%)	Carrying amount			
Hua Yang Motor Co., Ltd.	Hua Yang Motor Co., Ltd.	15F, No. 44, Section 2, Zhongshan N Road, Zhongshan District, Taipei	Wholesale of motor vehicles, retail sale of auto and motorcycle parts and accessories, automobile repair, other automobile services, leasing, and manufacturing of motor vehicles/motorcycles and their parts	349,065	349,065	33,700	100.00	390,431	47,181	47,181	Second-tier subsidiary
	Chyang Sheng Dyeing & Finishing Co., Ltd.	No. 126, Dagong Road, Dayuan District, Taoyuan City	Outsourcing of Dyeing and Finishing	6,426	-	413	0.24	6,585	127,390	159	
	One Full Co., Ltd.	15F, No. 44, Section 2, Zhongshan N Road, Zhongshan District, Taipei	Retail sale of cloths, retail sale, retail sale without storefront, other integrated retail sale, and international trade.	44,000	76,000	4,400	100.00	32,843	(10,584)	(10,584)	Second-tier subsidiary

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

Note 2: Please refer to Table 7 for information on investments in mainland China.

Shinkong Textile Co., Ltd. and Subsidiaries
Information on Investments in Mainland China
January 1 to December 31, 2023

Table 7

Unit: In Thousands of New Taiwan Dollars; Foreign Currencies

Name of mainland investee company	Principal Business Activities	Paid-in Capital	Method of Investments	Accumulated outward remittance for investment from Taiwan at the beginning of the current period	Amount of investment remitted or recovered during the Current period		Accumulated outward remittance for investment from Taiwan at the end of the current period	Net income (loss) of the investee in the current period	Percentage of shareholding of direct or indirect investment (%)	Investment gain (loss) recognized in the current period (Note 2)	Investment carrying value at the end of the current period	Accumulated repatriation of investment income as of the current period	Note
					Outflow	Inflow							
Shanghai Xin Ying Trading Co., Ltd.	Garments, leather suitcases, daily commodities, craft gifts (except for cultural relics) and packaging materials.	\$ 21,362	Note 1 (2)	\$ 21,362	\$ -	\$ -	\$ 21,362	(\$ 4,241)	100	(\$ 4,241) (2)－C	\$ 3,708	\$ -	-

Note 1: Methods of investments are divided into the following three types. Please specify the type.

- (1) Direct investment in mainland China.
- (2) Reinvesting in companies in mainland China through SK INNOVATION CO., LTD., which is in a third location.
- (3) Other methods.

Note 2: For the Investment Gain (Loss) column:

- (1) Indicate if no investment gain (loss) is recognized as an investee is under preparation.
- (2) Indicate if investment gain (loss) is recognized on one of the following bases:
 - A. Financial statements audited by international accounting firms cooperating with accounting firms in the Republic of China.
 - B. Financial statements audited by the parent company's CPAs in Taiwan.
 - C. Others (financial statements for the same periods prepared by the aforementioned investees).

Accumulated outward remittance for investment in mainland China at the end of the current period	Investment amounts authorized by Investment Commission	Upper limit on the amount of investment stipulated by Investment Commission
\$ 21,362	\$ 1,000 USD 30,705TWD	\$ 7,888,237

Shinkong Textile Co., Ltd.
Information on Major Shareholders
December 31, 2023

Table 8

Name of Major Shareholders	Shareholding	
	No. of shareholding	Shareholding ratio
Shinkong Synthetic Fibers Corporation	28,378,958	9.45%
Shin Kong Medical Foundation	20,979,735	6.99%
Chichen Co., Ltd.	19,650,000	6.54%

Note 1: The substantial shareholders in this table are shareholders holding more than 5% of the ordinary and preference shares that have completed delivery of non-physical registration (including treasury shares) on the last business day of the current quarter calculated by the Taiwan Depository & Clearing Corporation. Share capital indicated in the Company's consolidated financial statements may differ from the actual number of shares that have been issued and delivered without physical registration as a result of different basis of preparation.