Stock Code: 1419

# Shinkong Textile Co., Ltd. And Subsidiaries

# Consolidated Financial Statements and Independent Auditors' Report For the Years of 2022 and 2021

For the convenience of readers and for information purpose only, the auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. In the event of any discrepancy between the English version and the original Chinese version or any differences in the interpretation of the two versions, the Chinese-language auditors' report and financial statements shall prevail.

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Declaration of Consolidation of Financial Statements of Affiliates

In 2022, (from January 1, 2022to December31, 312022), the companies required to be included in the consolidated financial statements of affiliates under the "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises" were all the same as companies required to be included in the consolidated financial statements of parent and subsidiary companies as provided in the International Financial Reporting Standards (IFRS) 10, and relevant information that shall be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies. We hereby produced this declaration to the effect that no preparation for the separate consolidated financial statements of affiliates was required.

Sincerely,

Company Name: Shinkong Textile Co., Ltd.

Chairman: Hsin-En Wu

March 15, 2023

## Independent Auditors' Report

To Shinkong Textile Co., Ltd.

**Audit opinion**

We have audited the consolidated balance sheets of Shinkong Textile Co., Ltd. and its subsidiaries (hereinafter referred to as the "Group") as of December 31, 2022 and 2021; and the related consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to consolidated financial statements (including a summary on significant accounting policies).

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

**Basis for Opinion**

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

**Key Audit Matters**

Key audit matters are ones that were of most significance in our audit of the consolidated financial statements of the Group for the year ended December 31, 2022 based on our professional judgment. These matters have been covered during the audit of the overall consolidated financial statements and in forming the audit opinion. We will not express a separate opinion on these matters.

Key audit matters of the consolidated financial statements for the year ended December 31, 2022 are as follows:

Authenticity of sales revenue from specific customers

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

Our corresponding audit procedures were as follows:

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

**Other Matters**

Shinkong Textile Co., Ltd. has also prepared parent company only financial statements for the years ended December 31, 2022 and 2021, which we had audited and issued an unqualified opinion.

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

The responsibilities of management are to prepare the consolidated financial statements with fair presentation in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers as well as the IFRS, IAS, IFRIC, and SIC endorsed and issued into effect by the Financial Supervisory Commission, and maintain necessary internal controls associated with the preparation in order to ensure the consolidated financial statements are free from material misstatement, whether due to fraud or error.

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

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

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

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

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

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

based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

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

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

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

From the matters communicated with those charged with governance, we determine the key audit matters of the Group's consolidated financial statements for the year ended December 31, 2022. We describe these matters in our independent auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter shall not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Deloitte & Touché

CPA Li-Huang Li

CPA Jui-Chuan Chih

Securities and Futures Commission
Approval No.
Tai-Cai-Zheng-6-0930128050

Financial Supervisory Commission
Approval No.
Jin-Guan-Zheng-Shen-1060023872

March 15, 2023

Shinkong Textile Co., Ltd. and Subsidiaries

Consolidated Balance Sheets

December 31, 2022 and 2021

(In Thousands of New Taiwan Dollars)

| | | December 31, 2022 | | December 31, 2021 | |
|---|---|---|---|---|---|
| Code | Assets | Amount | % | Amount | % |
| | Current assets | | | | |
| 1100 | Cash and cash equivalents (Notes 6, 31 and 33) | $ 889,783 | 5 | $ 1,409,594 | 9 |
| 1110 | Financial assets at fair value through profit or loss (Notes 7, 31, and 33) | 568,830 | 4 | 172,462 | 1 |
| 1120 | Financial assets at fair value through other comprehensive income - current (Notes 8 and 31) | 1,625,098 | 10 | 1,770,277 | 11 |
| 1136 | Financial assets at amortized cost - current (Notes 9) | 500,000 | 3 | - | - |
| 1150 | Notes receivable (Notes 10 and 32) | 9,915 | - | 29,684 | - |
| 1170 | Accounts receivable (Note 10) | 292,467 | 2 | 356,824 | 2 |
| 1180 | Accounts receivable - related parties, net (Notes 10 and 32) | 46,685 | - | 43,253 | - |
| 1200 | Other receivables | 16,603 | - | 19,925 | - |
| 1210 | Other receivables - related parties (Notes 10 and 32) | - | - | 4 | - |
| 1220 | Current tax assets (Note 27) | - | - | 139,795 | 1 |
| 130X | Inventories (Note 11) | 1,058,167 | 6 | 778,609 | 5 |
| 1410 | Prepayments (Notes 19 and 32) | 62,371 | - | 160,467 | 1 |
| 1460 | Other non-current assets held for sale (Note 12) | - | - | 118,922 | 1 |
| 1470 | Other current assets (Note 15) | 2,973 | - | 3,073 | - |
| 11XX | Total current assets | 5,072,892 | 30 | 5,002,889 | 31 |
| | Non-current assets | | | | |
| 1517 | Financial assets at fair value through other comprehensive income - non-current (Notes 8, 31, 32 and 33) | 4,907,353 | 29 | 4,649,708 | 29 |
| 1535 | Financial assets at amortized cost - non-current (Notes 4, 31, 32 and 33) | 1,800 | - | 1,800 | - |
| 1550 | Investments accounted for using the equity method (Note 14) | 718,928 | 4 | 705,251 | 4 |
| 1600 | Property, plant and equipment (Notes 15 and 29) | 630,474 | 4 | 417,013 | 3 |
| 1755 | Right-of-use assets (Note 16) | 179,693 | 1 | 150,762 | 1 |
| 1760 | Investment properties (Notes 17 and 33) | 5,076,581 | 31 | 5,023,510 | 31 |
| 1780 | Other intangible assets (Note 18) | 3,270 | - | 2,457 | - |
| 1840 | Deferred tax assets (Note 27) | 29,691 | - | 28,931 | - |
| 1990 | Other non-current assets (Note 14 and 32) | 77,965 | 1 | 152,804 | 1 |
| 15XX | Total non-current assets | 11,625,755 | 70 | 11,132,236 | 69 |
| 1XXX | Total Assets | $ 16,698,647 | 100 | $ 16,135,125 | 100 |

| Code | Liabilities and equity | Amount | % | Amount | % |
|---|---|---|---|---|---|
| | Current liabilities | | | | |
| 2100 | Short-term borrowings (Notes 20 and 33) | $ 3,070,000 | 19 | $ 2,480,000 | 16 |
| 2110 | Short-term notes payable (Note 20) | - | - | 1,178,598 | 7 |
| 2130 | Contract liabilities - current (Notes 25 and 32) | 29,805 | - | 26,043 | - |
| 2150 | Notes payable (Note 21) | 222,899 | 1 | 257,405 | 2 |
| 2160 | Notes payable - related parties (Notes 21 and 32) | 36,641 | - | 38,720 | - |
| 2170 | Accounts payable (Note 21) | 104,305 | 1 | 97,448 | 1 |
| 2180 | Accounts payable - related parties (Notes 21 and 32) | 6,612 | - | 6,724 | - |
| 2200 | Other payables (Note 22) | 188,898 | 1 | 130,552 | 1 |
| 2220 | Other payables - related parties (Notes 22 and 32) | 1,822 | - | 1,186 | - |
| 2230 | Current tax liabilities (Note 27) | 58,559 | 1 | 16,728 | - |
| 2280 | Lease liabilities - current (Notes 16, 31 and 32) | 45,868 | - | 49,764 | - |
| 2399 | Other current liabilities (Note 22) | 23,912 | - | 839,876 | 5 |
| 21XX | Total current liabilities | 3,789,321 | 23 | 5,123,044 | 32 |
| | Non-current liabilities | | | | |
| 2540 | Long-term borrowings (Notes 20 and 33) | 159,082 | 1 | - | - |
| 2570 | Deferred tax liabilities (Note 27) | 761,682 | 4 | 767,723 | 5 |
| 2580 | Lease liabilities – non-current (Notes 16, 24 and 32) | 138,926 | 1 | 105,243 | - |
| 2600 | Other non-current liabilities (Note 22 and 32) | 106,694 | 1 | 127,997 | 1 |
| 25XX | Total non-current liabilities | 1,166,384 | 7 | 1,000,963 | 6 |
| 2XXX | Total liabilities | 4,955,705 | 30 | 6,124,007 | 38 |
| | Equity attributable to owners of the Company (Note 24) | | | | |
| | Share capital | | | | |
| 3110 | Common shares | 3,000,413 | 18 | 3,000,413 | 19 |
| 3200 | Capital surplus | 10,010 | - | 8,928 | - |
| | Retained earnings | | | | |
| 3310 | Legal reserve | 542,270 | 3 | 497,780 | 3 |
| 3320 | Special reserve | 1,006,548 | 6 | 1,006,548 | 6 |
| 3350 | Unappropriated earnings | 2,777,974 | 17 | 1,058,957 | 7 |
| 3300 | Total retained earnings | 4,326,792 | 26 | 2,563,285 | 16 |
| | Other equity | | | | |
| 3410 | Exchange differences on translating the financial statements of foreign operations | ( 1,261 ) | - | ( 6,638 ) | - |
| 3420 | Unrealized gains (losses) on financial assets at fair value through other comprehensive income | 4,420,162 | 26 | 4,458,304 | 27 |
| 3400 | Total other equity | 4,418,901 | 26 | 4,451,666 | 27 |
| 3500 | Treasury share | ( 13,174 ) | - | ( 13,174 ) | - |
| 31XX | Total equity attributable to owners of the Company | 11,742,942 | 70 | 10,011,118 | 62 |
| 3XXX | Total equity | 11,742,942 | 70 | 10,011,118 | 62 |
| | Total Liabilities and Equity | $ 16,698,647 | 100 | $ 16,135,125 | 100 |

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

Chairman: Hsing-En Wu　　President: Jui-Nan Chang　　Accounting Manager: Su-Chuan Ko

Shinkong Textile Co., Ltd. and Subsidiaries

Consolidated Statements of Comprehensive Income

For the Years Ended December 31, 2022 and 2021

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

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

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

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

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

Chairman: Hsing-En Wu President: Jui-Nan Chang Accounting Manager: Su-Chuan Ko

Shinkong Textile Co., Ltd. and Subsidiaries

Consolidated Statements of Changes in Equity

For the Years Ended December 31, 2022 and 2021

(In Thousands of New Taiwan Dollars)

| | | Equity Attributable to Owners of the Company | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Share capital | | | Retained earnings | | | Other equity | | | | | |
| Code | | Number of Shares (In Thousand Shares) | Amount | Capital surplus | Legal reserve | Special reserve | Unappropriated earnings | Exchange differences on translating the financial statements of foreign operations | Unrealized gains (losses) on financial assets at fair value through other comprehensive income | Treasury share | Total | Non-controlling Interests | Total Equity |
| A1 | Balance at January 1, 2021 | 300,041 | $ 3,000,413 | $ 7,911 | $ 459,911 | $ 1,006,548 | $ 951,961 | ( $ 5,019 ) | $ 3,678,813 | ( $ 13,174 ) | $ 9,087,364 | $ 4 | $ 9,087,368 |
| | Appropriation and distribution of earnings for 2020 | | | | | | | | | | | | |
| B1 | Legal reserve | - | - | - | 37,869 | - | ( 37,869 ) | - | - | - | - | - | - |
| B5 | Cash dividends to shareholders of the Company | - | - | - | - | - | ( 300,041 ) | - | - | - | ( 300,041 ) | - | ( 300,041 ) |
| | Other changes in capital surplus: | | | | | | | | | | | | |
| M1 | Changes in capital surplus from dividends paid to subsidiaries | - | - | 804 | - | - | - | - | - | - | 804 | - | 804 |
| T1 | Dividends not collected before the designated date | - | - | 213 | - | - | - | - | - | - | 213 | - | 213 |
| Q1 | Disposal of investments in equity instruments at fair value through other comprehensive income | - | - | - | - | - | 10 | - | ( 10 ) | - | - | - | - |
| D1 | Net income in 2021 | - | - | - | - | - | 450,887 | - | - | - | 450,887 | ( 4 ) | 450,883 |
| D3 | Other comprehensive income in 2021, net of tax | - | - | - | - | - | ( 5,991 ) | ( 1,619 ) | 779,501 | - | 771,891 | - | 771,891 |
| D5 | Total comprehensive income in 2021 | - | - | - | - | - | 444,896 | ( 1,619 ) | 779,501 | - | 1,222,778 | ( 4 ) | 1,222,774 |
| Z1 | Balance at December 31, 2021 | 300,041 | 3,000,413 | 8,928 | 497,780 | 1,006,548 | 1,058,957 | ( 6,638 ) | 4,458,304 | ( 13,174 ) | 10,011,118 | - | 10,011,118 |
| | Appropriation and distribution of earnings for 2021 | | | | | | | | | | | | |
| B1 | Legal reserve | - | - | - | 44,490 | - | ( 44,490 ) | - | - | - | - | - | - |
| B5 | Cash dividends to shareholders of the Company | - | - | - | - | - | ( 300,041 ) | - | - | - | ( 300,041 ) | - | ( 300,041 ) |
| | Other changes in capital surplus: | | | | | | | | | | | | |
| M1 | Changes in capital surplus from dividends paid to subsidiaries | - | - | 804 | - | - | - | - | - | - | 804 | - | 804 |
| T1 | Dividends not collected before the designated date | - | - | 278 | - | - | - | - | - | - | 278 | - | 278 |
| Q1 | Disposal of investments in equity instruments at fair value through other comprehensive income | - | - | - | - | - | ( 12,358 ) | - | 12,358 | - | - | - | - |
| D1 | Net income in 2022 | - | - | - | - | - | 2,070,986 | - | - | - | 2,070,986 | - | 2,070,986 |
| D3 | Other comprehensive income in 2022, net of tax | - | - | - | - | - | 4,920 | 5,377 | ( 50,500 ) | - | ( 40,203 ) | - | ( 40,203 ) |
| D5 | Total comprehensive income in 2022 | - | - | - | - | - | 2,075,906 | 5,377 | ( 50,500 ) | - | 2,030,783 | - | 2,030,783 |
| Z1 | Balance at December 31, 2022 | 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 | $ - | $ 11,742,942 |

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

Chairman: Hsing-En Wu President: Jui-Nan Chang Accounting Manager: Su-Chuan Ko

Shinkong Textile Co., Ltd. and Subsidiaries

Consolidated Statements of Cash Flows

For the Years Ended December 31, 2022 and 2021

(In Thousands of New Taiwan Dollars)

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

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

(Continued on the next page)

(Continued from the previous page)

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

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

Chairman: Hsing-En Wu President: Jui-Nan Chang Accounting Manager: Su-Chuan Ko

Shinkong Textile Co., Ltd. and Subsidiaries

Notes to Consolidated Financial Statements

January 1 to December 31, 2022 and 2021

(In Thousands of New Taiwan Dollars, Unless Otherwise Specified)

I. Company History

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

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

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

II. Date and Procedures of Authorization of Financial Statements

The consolidated financial statements were approved and authorized for issue in the Board of Directors' meeting on March 9, 2023.

III. Application of New and Amended Standards and Interpretations

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

With the exception of the following, the application of the amended IFRSs endorsed and issued into effect by the FSC shall not result in significant changes in the accounting policies of the consolidated Company.

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

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

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

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

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

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

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

| New/Revised/Amended Standards and Interpretations | Effective Date Announced by IASB (Note 1) |
|---|---|
| Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture" | To be determined |
| Amendments to IAS 16 “Lease liabilities in sale and leaseback” | January 1, 2024 (Note 2) |
| IFRS 17 "Insurance Contracts" | January 1, 2023 |
| Amendments to IFRS 17 | January 1, 2023 |
| Amendment to IFRS 17 "First Application of IFRS 17 and IFRS 9 - Comparative Information” | January 1, 2023 |
| Amendments to IAS 1 "Classification of Liabilities as Current or Non-current" | January 1, 2024 |
| Amendments to IAS 1 "Non-current liabilities with contract terms” | January 1, 2024 |

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

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

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

IV. Summary of Significant Accounting Policies

(I) Statement of compliance

The consolidated financial statements have been prepared in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs endorsed by FSC.

(II) Basis of preparation

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

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

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

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

Current assets include:

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

Current liabilities include:

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

3. Liabilities with a repayment schedule that cannot be unconditionally deferred till at least 12 months after the balance sheet date.

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

(IV) Basis of consolidation

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

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

For details on subsidiaries, including the percentages of ownership and principal business activities, please refer to Note 13 and Tables 6 and 7.

(V) Foreign Currency

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

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

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

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

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

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

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

(VI) Inventories

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

(VII) Investment in Associates

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

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

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

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

When an associate issues new shares, if the consolidated Company fails to subscribe in proportion to its shareholding ratio, resulting in a change in the shareholding ratio and a consequent increase or decrease in the net equity invested, the increase or decrease shall be adjusted to the capital reserves - changes in the net equity of the associate and investments using the equity method. If the subscription or acquisition at a percentage different from the existing ownership percentage results in a decrease in ownership interest in the associates, the proportionate amount previously recognized in other comprehensive income in relation to that associate is reclassified on the same basis as would be required if the associate had directly disposed of the related assets or liabilities. When the adjustment shall be debited to capital surplus, but the capital surplus recognized from investments accounted for using the equity method is insufficient, the shortage is debited to retained earnings.

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

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

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

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

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

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

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

The depreciation of PP&E in its useful life is made on a straight-line basis for each major part/component separately. Where the lease term is less than the useful life of an asset, the depreciation is recognized over the lease term. The estimated useful lives, residual values and depreciation method are reviewed at the end of each year, with the effect of any changes in estimate accounted for on a prospective basis.

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

(IX) Investment properties

Investment property is property held for rent or capital appreciation or both. Investment property also includes land held for a currently undetermined future use.

Freehold investment property is initially measured at costs (including transaction costs) and is subsequently measured at costs less accumulated depreciation and accumulated impairment losses. Depreciation is recognized on a straight-line basis.

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

(X) Intangible assets

1. Separate Acquisition

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

2. Derecognition

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

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

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

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

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

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

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

(XII) Non-current assets held for sale

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

(XIII) Financial instruments

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

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

1. Financial assets

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

(1) Types of measurement

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

A. Financial assets at fair value through profit or loss

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

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

Financial assets at fair value through profit or loss are measured at fair value, of which any dividends and interest accrued are recognized as other income and interest income. Gain or loss on remeasurement are recognized in other gains or losses. Please refer to Note 31 for methods adopted in determining the fair values.

B. Financial assets at amortized cost

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

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

b. The terms of the contract generate a cash flow on a specified date that is solely for the payment of interest on the principal and the amount of principal outstanding.

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

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

a. For purchased or originated credit-impaired financial assets, interest income is calculated by applying the credit-adjusted effective interest rate to the amortized cost of the financial assets.

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

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

Cash equivalents include time deposits with original maturities within three months from the date of acquisition, which are highly liquid, readily convertible to known amounts of cash and subject to an insignificant risk of changes in value. They are used for meeting short-term cash commitments.

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

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

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

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

(2) Impairment of financial assets and contract assets

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

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

The ECL is the weighted average credit loss determined by the risk of default. The 12-month ECL represents the ECL arising from the possible default of the financial instrument in the 12 months after the balance sheet date, and the lifetime ECL represents the ECL arising from all possible defaults of the financial instrument during the expected existence period.

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

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

B. Overdue for more than 90 days, unless there is reasonable and supportable information showing that a delayed default base is more appropriate.

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

(3) Derecognition of financial assets

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

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

On derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the consideration received is recognized in profit or loss. On derecognition of investments in debt instruments at fair value through other comprehensive profit and loss in its entirety, the difference between the carrying amount and the consideration received plus the cumulative gain or loss already recognized in other comprehensive profit and loss is recognized in profit or loss. On derecognition of investments in equity instruments at fair value through other comprehensive profit and loss in its entirety, the cumulative gain or loss is directly transferred to retained earnings and not reclassified to profit or loss.

2. Equity instruments

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

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

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

3. Financial liabilities

(1) Subsequent measurement

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

(2) Derecognition of financial liabilities

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

(XIV) Revenue recognition

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

Revenue from the sale of goods

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

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

(XV) Leases

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

1. Where the consolidated Company is a lessor:

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

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

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

2. Where the consolidated Company is a lessee:

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

The right-of-use asset is initially measured at cost (including the initial measurement amount of lease liabilities, all lease payments made on or before the commencement date, less any lease incentives received, the initial direct cost and the estimated cost for restoring the underlying asset), and subsequently measured at cost minus the accumulated depreciation and the accumulated impairment loss and adjusted for the remeasurement of the lease liability. Right-of-use assets are separately presented on the consolidated balance sheets.

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

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

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

Lease liabilities are separately presented on the consolidated balance sheets.

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

(XVI) Borrowing costs

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

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

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

(XVII) Government grants

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

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

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

(XVIII) Employee benefits

1. Short-term employee benefits

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

2. Post-employment benefits

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

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

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

(XIX) Income tax

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

1. Current income tax

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

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

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

2. Deferred income tax

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

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

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, except where the consolidated Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income tax assets arising from deductible temporary differences associated with such investments are only recognized to the extent that it is probable that there will be sufficient taxable profit against which to utilize the temporary differences and they are expected to reverse in the foreseeable future.

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

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

3. Current and deferred income taxes

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

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

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

The consolidated Company will take the recent development of the COVID-19 in China and its possible impact on the economic environment into consideration of significant accounting estimates such as cash flow estimation, growth rate, discount rate and profitability. Management will continue to review the estimations and basic assumptions. If an amendment of estimates only affects the current period, it shall be recognized in the period of amendment; if an amendment of accounting estimates affects the current year and future periods, it shall be recognized in the period of amendment and future periods.

Primary Sources of Uncertainties in Estimates, and Assumptions

(I) Estimated impairment of financial assets, contract assets and financial guarantee contracts

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

(II) Impairment of inventory

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

VI. Cash and cash equivalent

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

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

| | December 31, 2022 | December 31, 2021 |
|---|---|---|
| Bank deposits | 0.001%~4.9% | 0.001%~0.2% |

VII. Financial Instruments at Fair Value through Profit or Loss

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

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

| Investments in equity instruments | December 31, 2022 | December 31, 2021 |
|---|---|---|
| Current | | |
| Domestic Investment | | |
| Listed Stocks | $ 1,625,098 | $ 1,770,277 |
| | | |
| Non-current | | |
| Domestic Investment | | |
| Listed Stocks | $ 3,018,355 | $ 2,977,433 |
| Unlisted stocks | 1,888,998 | 1,672,275 |
| Subtotal | $ 4,907,353 | $ 4,649,708 |

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

Please refer to Note 33 for details of investments in equity instruments at fair value through other comprehensive profit and loss pledged.

IX. Financial assets at amortized cost

| | December 31, 2022 | December 31, 2021 |
|---|---|---|
| Current | | |
| Domestic Investment | | |
| Time deposits with original maturities over three months | $ 500,000 | $ - |
| Non-current | | |
| Domestic Investment | | |
| Time deposits with original maturities over three months | $ 1,800 | $ 1,800 |

(I) As of December 31, 2022 and 2021, the interest rate ranges of time deposits with original maturities over three months were 0.8% to 1.14% and 0.65% to 0.765%, respectively.

(II) Financial assets at amortized cost are classified as current or non-current pursuant to the maturity dates on the contracts or the pledged periods.

(III) Please refer to Note 33 for details of financial assets at amortized cost pledged.

X. Notes and accounts receivable

| | December 31, 2022 | December 31, 2021 |
|---|---|---|
| Notes receivable | | |
| Measured at amortized cost | | |
| Total carrying amount | $ 9,907 | $ 29,674 |
| Less: loss allowance | - | - |
| | $ 9,907 | $ 29,674 |
| Notes receivable - related parties (Note 32) | $ 8 | $ 10 |
| Accounts receivable | | |
| Measured at amortized cost | | |
| Total carrying amount | $ 292,472 | $ 358,126 |

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(Continued from the previous page)

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

Notes and accounts receivable

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

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

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

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

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

December 31, 2022

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

December 31, 2021

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

Changes in loss allowances for receivables are as follows:

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

XI. Inventories

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

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

XII. Non-current assets held for sale

| | December 31, 2022 | December 31, 2021 |
|---|---|---|
| Land to be sold | $ - | $ 118,922 |

Shin Kong Asset Management Co., Ltd. of the consolidated Company adopted the sales of Yangming section 200-3, Shilin District, at the third meeting of the 7th board of meeting on November 19, 2021 to its related party Shin Kong Medical Foundation. The contract was signed on November 24, 2021 with an amount of NT$1,630,776 thousand. The transfer of ownership was completed on January 7, 2022. Please refer to the Table 4 "Disposal of individual real estate with amount of at least NT$300 million or 20% of the paid-in capital".

XIII. Subsidiaries

Subsidiaries included in the consolidated financial statements

Entities in the consolidated financial statements are listed as follows:

| | | | Percentage of Ownership | | |
|---|---|---|---|---|---|
| Investor | Name of subsidiary | Nature of Business | December 31, 2022 | December 31, 2021 | Description |
| Shinkong Textile Co., Ltd. | Shinkong Asset Management Co., Ltd. | Development and rental of housing, building and industrial factory, development of specific areas and investment, development and construction in public construction | 100% | 100% | 1 |
| Shinkong Textile Co., Ltd. | SK INNOVATION CO., LTD. | General investment business. | 100% | 100% | 2 |
| SK INNOVATION CO., LTD. | Shanghai Xin Ying Trading Co., Ltd. | Garments, leather suitcases, daily commodities, craft gifts (except for cultural relics) and packaging materials. | 100% | 100% | 3 |
| Shinkong Asset Management Co., Ltd. | Xin Fu Development Co., Ltd. | Development and rental of housing, building and industrial factory, and development of specific areas | 100% | 100% | 4 |
| Shinkong Asset Management Co., Ltd. | Hua Yang Motor Co., Ltd. | Wholesale of motor vehicles, retail sale of auto and motorcycle parts and accessories, automobile repair, other automobile services, leasing, and manufacturing of motor vehicles/motorcycles and their parts | 100% | 100% | 5 |
| Hua Yang Motor Co., Ltd. | One Full Co., Ltd. | Clothing and accessories retail, retail, non-store retail, other integrated retail, international trade, warehousing, tally and packaging. | 100% | 100% | 6 |

Note:

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

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

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

## XIV. Investments Using Equity Method

Investment in Associates

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

(I) Associates that are individually material

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

| Name of Company | Percentage of Shareholding and Voting Rights December 31, 2022 | Percentage of Shareholding and Voting Rights December 31, 2021 |
|---|---|---|
| Lian Quan Investment Co., Ltd. | 48.89% | 48.89% |
| Shang De Motor Co., Ltd. | 33.50% | 33.50% |
| WPI-High Street, LLC | 35.71% | 35.71% |

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

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

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

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

Lian Quan Investment Co., Ltd.

| | December 31, 2022 | December 31, 2021 |
|---|---|---|
| Current assets | $ 6,793 | $ 9,067 |
| Non-current assets | 927,838 | 988,850 |
| Current liabilities | ( 190,985 ) | ( 210,928 ) |
| Equity | $ 743,646 | $ 786,989 |
| Percentage of shares held by the consolidated Company | 48.89% | 48.89% |
| Interests of the consolidated Company | $ 363,569 | $ 384,759 |
| Carrying amount of investments | $ 363,569 | $ 384,759 |

| | 2022 | 2021 |
|---|---|---|
| Operating revenue | $ 22,843 | $ 22,428 |
| Net income in the year | $ 18,581 | $ 18,465 |
| Other comprehensive profit and loss | ( 30,274 ) | 23,711 |
| Total comprehensive profit and loss | ( $ 11,693 ) | $ 42,176 |

Shang De Motor Co., Ltd.

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

| | 2022 | 2021 |
|---|---|---|
| Operating revenue | $ 3,495,348 | $ 3,324,034 |
| Net income in the year | $ 140,183 | $ 83,356 |
| Total comprehensive profit and loss | $ 140,183 | $ 83,356 |

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

WPI-High Street , LLC

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

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

| | Land | Buildings | Machinery Equipment | Transportation Equipment | Hydropower Equipment | Miscellaneous Equipment | Lease Improvement | Construction in Progress | Total |
|---|---|---|---|---|---|---|---|---|---|
| Cost | | | | | | | | | |
| Balance at January 1, 2022 | $ 92,452 | $ 262,113 | $ 583,097 | $ 8,805 | $ 124,845 | $ 133,088 | $ 20,686 | $ 62,553 | $ 1,287,639 |
| Additions | - | 393 | 3,062 | 2,330 | 3,613 | 14,734 | 23,347 | 234,024 | 281,503 |
| Reclassifications | 7,006 | 15,907 | 13,973 | - | 3,960 | 10,054 | 4,140 | ( 36,684 ) | 18,356 |
| Disposals | - | - | ( 12,423 ) | - | - | ( 898 ) | ( 3,802 ) | - | ( 17,123 ) |
| Net exchange difference | - | - | - | - | - | 1 | - | - | 1 |
| Balance at December 31, 2022 | $ 99,458 | $ 278,413 | $ 587,709 | $ 11,135 | $ 132,418 | $ 156,979 | $ 44,371 | $ 259,893 | $ 1,570,376 |
| Accumulated depreciation and impairment | | | | | | | | | |
| Balance at January 1, 2022 | $ - | $ 227,137 | $ 460,212 | $ 5,786 | $ 80,489 | $ 91,508 | $ 5,494 | $ - | $ 870,626 |
| Depreciation Expense | - | 1,893 | 32,543 | 727 | 5,861 | 10,878 | 18,239 | - | 70,141 |
| Reclassifications | - | 15,568 | - | - | - | - | - | - | 15,568 |
| Disposals | - | - | ( 12,423 ) | - | - | ( 892 ) | ( 3,119 ) | - | ( 16,434 ) |
| Net exchange difference | - | - | - | - | - | 1 | - | - | 1 |
| Balance at December 31, 2022 | $ - | $ 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 |
| Cost | | | | | | | | | |
| Balance at January 1, 2021 | $ 92,452 | $ 245,528 | $ 550,766 | $ 8,635 | $ 89,795 | $ 123,793 | $ 16,797 | $ 48,116 | $ 1,175,882 |
| Additions | - | - | 43,799 | 2,370 | 34,285 | 8,799 | 17,428 | 17,892 | 124,573 |
| Reclassifications | - | 28,197 | 1,997 | - | 765 | 657 | 1,339 | ( 3,455 ) | 29,500 |
| Disposals | - | ( 11,612 ) | ( 13,465 ) | ( 2,200 ) | - | ( 161 ) | ( 14,878 ) | - | ( 42,316 ) |
| Balance at December 31, 2021 | $ 92,452 | $ 262,113 | $ 583,097 | $ 8,805 | $ 124,845 | $ 133,088 | $ 20,686 | $ 62,553 | $ 1,287,639 |
| Accumulated depreciation and impairment | | | | | | | | | |
| Balance at January 1, 2021 | $ - | $ 236,945 | $ 440,474 | $ 6,645 | $ 75,811 | $ 82,400 | $ 12,036 | $ - | $ 854,311 |
| Depreciation Expense | - | 1,804 | 27,160 | 938 | 4,678 | 9,269 | 8,336 | - | 52,185 |
| Disposals | - | ( 11,612 ) | ( 7,422 ) | ( 1,797 ) | - | ( 161 ) | ( 14,878 ) | - | ( 35,870 ) |
| Balance at December 31, 2021 | $ - | $ 227,137 | $ 460,212 | $ 5,786 | $ 80,489 | $ 91,508 | $ 5,494 | $ - | $ 870,626 |
| Net at December 31, 2021 | $ 92,452 | $ 34,976 | $ 122,885 | $ 3,019 | $ 44,356 | $ 41,580 | $ 15,192 | $ 62,553 | $ 417,013 |

Unrecognized or reversal on impairment loss in 2022 and 2021.

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

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

## XVI. Lease Agreements

(I) Right-of-use assets

| | December 31, 2022 | December 31, 2021 |
|---|---|---|
| Carrying amount of right-of-use assets | | |
| Land | $ 7,345 | $ 1,910 |
| Buildings | 166,320 | 144,925 |
| Office equipment | 1,629 | 804 |
| Transportation Equipment | 4,399 | 2,961 |
| Other equipment | - | 162 |
| | $ 179,693 | $ 150,762 |

| | 2022 | 2021 |
|---|---|---|
| Additions to right-of-use assets | $ 90,472 | $ 114,840 |
| Disposal of right-of use assets | $ 13,174 | $ 262 |
| Depreciation expense of right-of-use assets | | |
| Land | $ 3,686 | $ 4,640 |
| Buildings | 40,787 | 39,813 |
| Office equipment | 395 | 341 |
| Transportation Equipment | 3,013 | 2,727 |
| Other equipment | 162 | 390 |
| | $ 48,043 | $ 47,911 |

Except for the recognition of depreciation expense, the consolidated Company's right-of-use assets did not experience significant sub-lease or impairments for the years ended 2022 and 2021.

(II) Lease liabilities

| | December 31, 2022 | December 31, 2021 |
|---|---|---|
| Carrying amount of lease liabilities | | |
| Current | $ 45,868 | $ 49,764 |
| Non-current | $ 138,926 | $ 105,243 |

Discount rate ranges for lease liabilities are as follows:

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

(III) Major lease activities and terms

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

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

(IV) Other lease information

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

| | December 31, 2022 | December 31, 2021 |
|---|---|---|
| Short-term lease expenses | $ 15,533 | $ 3,510 |
| Total cash (outflow) for leases | ($ 63,964) | ($ 49,017) |

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

## XVII. Investment properties

| | Land | Buildings | Total |
|---|---|---|---|
| Cost | | | |
| 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 | - | ( 384) | ( 384) |
| Balance at December 31, 2022 | $ 4,503,359 | $ 1,335,299 | $ 5,838,658 |
| Accumulated depreciation and impairment | | | |
| Balance at January 1, 2022 | $ - | $ 750,901 | $ 750,901 |
| Depreciation Expense | - | 27,128 | 27,128 |
| Reclassifications | - | ( 15,568) | ( 15,568) |
| Disposals | - | ( 384) | ( 384) |
| Balance at December 31, 2022 | $ - | $ 762,077 | $ 762,077 |
| Net at December 31, 2022 | $ 4,503,359 | $ 573,222 | $ 5,076,581 |
| Cost | | | |
| Balance at January 1, 2021 | $ 4,466,477 | $ 1,350,963 | $ 5,817,440 |
| Additions | 75,893 | - | 75,893 |
| Reclassifications | ( 118,922) | - | ( 118,922) |
| Balance at December 31, 2021 | $ 4,423,448 | $ 1,350,963 | $ 5,774,411 |
| Accumulated depreciation and impairment | | | |
| Balance at January 1, 2021 | $ - | $ 723,739 | $ 723,739 |
| Depreciation Expense | - | 27,162 | 27,162 |
| Balance at December 31, 2021 | $ - | $ 750,901 | $ 750,901 |
| Net at December 31, 2021 | $ 4,423,448 | $ 600,062 | $ 5,023,510 |

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, 2022 | December 31, 2021 |
|---|---|---|
| The first year | $ 306,392 | $ 311,273 |
| The second year | 249,434 | 292,821 |
| The third year | 220,032 | 205,744 |
| The fourth year | 183,274 | 178,318 |
| The fifth year | 170,524 | 145,727 |
| Over 5 years | 1,366,689 | 1,175,474 |
| | $ 2,496,345 | $ 2,309,357 |

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

| | |
|---|---|
| Buildings | 4~50 years |
| Renovation | 2~20 years |

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

| | December 31, 2022 | December 31, 2021 |
|---|---|---|
| Fair value | $ 32,018,500 | $ 32,371,110 |

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

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

XVIII. Other Intangible Assets

| | Cost of Computer Software |
|---|---|
| Cost | |
| Balance at January 1, 2022 | $ 4,865 |
| Acquisitions | 2,783 |
| Reclassifications | 180 |
| Disposals | ( 880 ) |
| Balance at December 31, 2022 | $ 6,948 |

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| | Cost of Computer Software |
|---|---|
| Accumulated amortization and impairment | |
| Balance at January 1, 2022 | $ 2,408 |
| Amortization expense | 2,150 |
| Disposals | ( 880 ) |
| Balance at December 31, 2022 | $ 3,678 |
| | |
| Net at December 31, 2022 | $ 3,270 |
| | |
| Cost | |
| Balance at January 1, 2021 | $ 5,306 |
| Additions | 1,972 |
| Disposals | ( 2,413 ) |
| Balance at December 31, 2021 | $ 4,865 |
| | |
| Accumulated amortization and impairment | |
| Balance at January 1, 2021 | $ 2,938 |
| Amortization expense | 1,883 |
| Disposals | ( 2,413 ) |
| Balance at December 31, 2021 | $ 2,408 |
| | |
| Net at December 31, 2021 | $ 2,457 |

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

| | |
|---|---|
| Cost of Computer Software | 2~5 years |

XIX. Other Assets

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

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

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

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

XX. Borrowings

(I) Short-term borrowings

| | December 31, 2022 | December 31, 2021 |
|---|---|---|
| Secured borrowings (Note 33) | | |
| Bank borrowings | $ 2,920,000 | $ 2,280,000 |
| Unsecured borrowings | | |
| Line of credit loans | 150,000 | 200,000 |
| | $ 3,070,000 | $ 2,480,000 |

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

(II) Short-term bills payable

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

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

December 31, 2022: None.

December 31, 2021

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

(III) Long-term borrowings

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

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

XXI. Notes and Accounts Payable

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

XXII. Other liabilities

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

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

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

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

XXIII. Post-employment Benefit Plans

(I) Defined contribution plans

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

(II) Defined benefit plans

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

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

| | December 31, 2022 | December 31, 2021 |
|---|---|---|
| Present value of defined benefit obligation | $ 44,766 | $ 48,268 |
| Fair value of plan assets | ( 53,331 ) | ( 51,142 ) |
| Net defined benefit assets | ( $ 8,565 ) | ( $ 2,874 ) |

Changes in net defined benefit assets are as follows:

| | Present value of defined benefit obligation | Fair value of plan assets | Net defined benefit assets |
|---|---|---|---|
| Balance at January 1, 2021 | $ 41,339 | ( $ 49,325 ) | ( $ 7,986 ) |
| Service costs | | | |
| Current service costs | 105 | - | 105 |
| Interest expense (income) | 207 | ( 249 ) | ( 42 ) |
| Recognized in profit or loss | 312 | ( 249 ) | 63 |
| Remeasurements | | | |
| Return on plan assets (excluding amounts that are included in net interest) | - | ( 626 ) | ( 626 ) |
| Actuarial losses - changes in financial assumptions | 246 | - | 246 |
| Actuarial losses - experience adjustments | 6,371 | - | 6,371 |
| Recognized in other comprehensive profit and loss | 6,617 | ( 626 ) | 5,991 |
| Contributions from the employer | $ - | ( $ 942 ) | ( $ 942 ) |
| Balance at December 31, 2021 | 48,268 | ( 51,142 ) | ( 2,874 ) |
| Service costs | | | |
| Current service costs | 137 | - | 137 |
| Interest expense (income) | 302 | ( 323 ) | ( 21 ) |
| Recognized in profit or loss | 439 | ( 323 ) | 116 |
| Remeasurements | | | |
| Return on plan assets (excluding amounts that are included in net interest) | - | ( 3,963 ) | ( 3,963 ) |
| Actuarial losses - changes in financial assumptions | ( 424 ) | - | ( 424 ) |
| Actuarial losses - experience adjustments | ( 533 ) | - | ( 533 ) |
| Recognized in other comprehensive profit and loss | ( 957 ) | ( 3,963 ) | ( 4,920 ) |
| Contributions from the employer | - | ( 887 ) | ( 887 ) |
| Number of plan assets paid | ( 2,984 ) | 2,984 | - |
| Balance at December 31, 2022 | $ 44,766 | ( $ 53,331 ) | ( $ 8,565 ) |

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

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

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

| | December 31, 2022 | December 31, 2021 |
|---|---|---|
| Discount rate | 1.250% | 0.625% |
| Expected rate of salary increase | 2.750% | 2.250% |

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

| | December 31, 2022 | December 31, 2021 |
|---|---|---|
| Discount rate | | |
| Increase by 0.25% | ($ 740) | ($ 941) |
| Decrease by 0.25% | $ 760 | $ 971 |
| Expected rate of salary increase | | |
| Increase by 0.25% | $ 736 | $ 939 |
| Decrease by 0.25% | ($ 720) | ($ 915) |

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

| | December 31, 2022 | December 31, 2021 |
|---|---|---|
| Expected contributions to the plan within one year | $ 895 | $ 969 |
| Average duration of defined benefit obligations | 6.7 years | 7.8 years |

XXIV. Equity

(I) Share capital

Common shares

| | December 31, 2022 | December 31, 2021 |
|---|---|---|
| Number of shares authorized (in thousands) | 360,000 | 360,000 |
| Share capital authorized | $ 3,600,000 | $ 3,600,000 |
| Number of shares issued and fully paid (in thousands) | 300,041 | 300,041 |
| Share capital issued | $ 3,000,413 | $ 3,000,413 |

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

(II) Capital surplus

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

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

(III) Retained earnings and dividend policy

Based on the earnings distribution policy stated in the amended Articles of Association, the annual earnings of the Company, if any, shall be first appropriated to pay taxes and offset accumulated losses before allocating 10% of the remaining earnings to the legal reserve (not applicable where accumulated legal reserve has equaled the Company's paid-in capital). A special reserve is then appropriated or reversed pursuant to applicable laws and regulations. The Board of Director would then prepare earnings distribution proposal based on the remaining balance together with accumulated unappropriated earnings. When the special earnings reserve is drawn up according to law, for the insufficient amount of "net increase of fair value of investment property accumulated in the previous period" and "net deduction of other equity accumulated in the previous period", the special earnings reserve of the same amount shall be drawn up from the undistributed earnings in the earlier period before the earnings is distributed. If there is still insufficient amount, items other than net profit after tax of the current period are included in the undistributed earnings of the current period. Where the earnings are distributed in the form of cash, the Board of Directors is authorized to approve the distribution by a resolution approved by a majority vote at a meeting attended by over two-thirds of the Directors and report to the shareholders' meeting. Where they are distributed in the form of stock dividends, the distribution shall be resolved at the shareholders' meeting. For the policies on distribution of compensation to employees and compensation to directors and supervisors in the Company's Articles of Incorporation, please refer to Note 26(7) compensation to employees and compensation to directors and supervisors.

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

The distribution of earnings for years 2021 and 2020 approved in the shareholders' meetings on June 10, 2022 and July 16, 2021, respectively, was as follows:

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

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

(IV) Other equity item

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

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

(V) Non-controlling Interests

| | 2022 | 2021 |
|---|---|---|
| Balance at the beginning of the year | $ - | $ 4 |
| Net losses for the period | - | ( 4) |
| Balance at the end of the year | $ - | $ - |

(VI) Treasury share

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

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

December 31, 2022

| Name of subsidiary | No. of Shareholding (in thousands) | Carrying amount | Market Value |
|---|---|---|---|
| Shinkong Asset Management Co., Ltd. | 804 | $ 13,174 | $ 32,193 |

December 31, 2021

| Name of subsidiary | No. of Shareholding (in thousands) | Carrying amount | Market Value |
|---|---|---|---|
| Shinkong Asset Management Co., Ltd. | 804 | $ 13,174 | $ 34,364 |

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

XXV. Revenue

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

(I) Explanation of customer contracts

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

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

(II) Contract balance

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

(III) Breakdown of revenue from contracts with customers

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

XXVI. Net income in the year

(I) Interest income

| | 2022 | 2021 |
|---|---|---|
| Bank deposits | $ 6,570 | $ 426 |
| Other | 40 | 49 |
| | $ 6,610 | $ 475 |

(II) Other income

| | 2022 | 2021 |
|---|---|---|
| Dividend income | $ 362,884 | $ 281,990 |
| Other | 2,173 | 4,653 |
| | $ 365,057 | $ 286,643 |

(III) Other gains and losses

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

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

(IV) Finance costs

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

Interest capitalization information is as follows:

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

(V) Depreciation and amortization

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

(VI) Employee benefit expense

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

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

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

Accrual rate

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

Amount

| | 2022 | 2021 |
|---|---|---|
| | Cash | Cash |
| Compensation to employees | $ 21,800 | $ 9,700 |
| Compensation to Directors and Supervisors | $ 21,800 | $ 9,700 |

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

There was no difference between the amounts actually allocated for compensations to employees, directors and supervisors for 2021 and 2020 and those recognized in the consolidated financial reports for 2021 and 2020.

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

(VIII) Net gain (loss) on foreign exchange

| | 2022 | 2021 |
|---|---|---|
| Total foreign exchange gains | $ 80,563 | $ 2,767 |
| Total foreign exchange (losses) | ( 14,289 ) | ( 15,083 ) |
| Net profits (losses) | $ 66,274 | ( $ 12,316 ) |

XXVII. Income tax

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

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

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

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

(Continued on the next page)

(Continued from the previous page)

| | 2022 | 2021 |
|---|---|---|
| Additional tax levied on the unappropriated earnings | 3,763 | 3,703 |
| Unrecognized deductible temporary difference | ( 2,850) | 8,686 |
| Land value increment tax | 119,635 | - |
| Adjustment of current income tax expense from previous years in the current year | ( 2,261) | ( 924) |
| Income tax expense recognized in profit or loss | $ 192,535 | $ 34,190 |

(II) Income tax recognized in other comprehensive profit and loss

| | 2022 | 2021 |
|---|---|---|
| Deferred income tax | | |
| Incurred in this year | | |
| - Translating the financial statements of foreign operations | $ 32 | ($ 16) |
| - Share of other comprehensive profit and loss of associates accounted for using the equity method | 1,311 | ( 389) |
| | $ 1,343 | ($ 405) |

(III) Current income tax assets and liabilities

| | December 31, 2022 | December 31, 2021 |
|---|---|---|
| Current income tax assets | | |
| Land value increment tax | $ - | $ 139,749 |
| Tax refunds receivable | - | 46 |
| | $ - | $ 139,795 |
| Current income tax liabilities | | |
| Income tax payable | $ 58,559 | $ 16,728 |

(IV) Deferred income tax assets and liabilities

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

2022

| Deferred income tax assets | 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 |
|---|---|---|---|---|
| Temporary differences | | | | |
| Exchange differences on translating the financial statements of foreign operations | $ 1,907 | $ - | ( $ 1,343 ) | $ 564 |
| Loss on inventory write-down | 25,321 | 3,805 | - | 29,126 |
| Difference on unrealized foreign exchange gain (loss) | 1,373 | ( 1,373 ) | - | - |
| Other | 330 | ( 329 ) | - | 1 |
| | $ 28,931 | $ 2,103 | ( $ 1,343 ) | $ 29,691 |

| Deferred income tax liabilities | 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 |
|---|---|---|---|---|
| Temporary differences | | | | |
| Defined benefit retirement plans | $ 2,719 | $ 154 | $ - | $ 2,873 |
| Gains (losses) on foreign investments accounted for using the equity method | 3,573 | ( 900 ) | - | 2,673 |
| Difference on unrealized foreign exchange gain (loss) | - | 1,977 | - | 1,977 |
| Financial assets at fair value through profit or loss | - | 12,842 | - | 12,842 |
| Land value increment tax | 761,431 | ( 20,114 ) | - | 741,317 |
| | $ 767,723 | ( $ 6,041 ) | $ - | $ 761,682 |

2021

| Deferred income tax assets | 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 |
|---|---|---|---|---|
| Temporary differences | | | | |
| Exchange differences on translating the financial statements of foreign operations | $ 1,502 | $ - | $ 405 | $ 1,907 |
| Loss on inventory write-down | 29,525 | ( 4,204 ) | - | 25,321 |
| Difference on unrealized foreign exchange gain (loss) | $ 5,298 | ( $ 3,925 ) | $ - | $ 1,373 |
| Other | 6,474 | ( 6,144 ) | - | 330 |
| | $ 42,799 | ( $ 14,273 ) | $ 405 | $ 28,931 |

| Deferred income tax liabilities | 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 |
|---|---|---|---|---|
| Temporary differences | | | | |
| Defined benefit retirement plans | $ 2,543 | $ 176 | $ - | $ 2,719 |
| Gains (losses) on foreign investments accounted for using the equity method | 1,898 | 1,675 | - | 3,573 |
| Land value increment tax | 761,431 | - | - | 761,431 |
| | $ 765,872 | $ 1,851 | $ - | $ 767,723 |

Land revaluation of the consolidated Company's freehold land was carried out at the assessed present value in July 1981 and November 2000, respectively, and the provision for land value increment tax of NT$ 741,317 thousand and NT$761,431 thousand separately (under deferred income tax liabilities) was recognized as of December 31, 2022 and 2021.

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

| | December 31, 2022 | December 31, 2021 |
|---|---|---|
| Deductible temporary difference | | |
| Impairment loss | $ 7,187 | $ 12,673 |

(VI) Income tax assessment

The business income tax returns of the company, and its subsidiaries Shinkong Asset Management Co., LTD, Xin Fu Development, Hua Yang Motor and One Full, through 2020 have been assessed by the tax authorities. As SK is registered at Samoa, it does not have to file business income tax returns. Thus, the income tax assessment is not applicable. Shanghai Xin Ying had applied to local regulations, they had accrued tax payable and income tax expense.

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

XXVIII. Earnings per Share (EPS)

Unit: NT$ per Share

| | 2022 | 2021 |
|---|---|---|
| Basic EPS | $ 6.92 | $ 1.51 |
| Diluted EPS | $ 6.91 | $ 1.51 |

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

Net income in the year

| | 2022 | 2021 |
|---|---|---|
| Net income for the calculation of basic EPS | $ 2,070,986 | $ 450,883 |
| Net income for the calculation of diluted EPS | $ 2,070,986 | $ 450,883 |

Number of shares

Unit: In Thousands of Shares

| | 2022 | 2021 |
|---|---|---|
| Weighted average number of common shares used for calculation of basic earnings per share | 299,237 | 299,237 |
| Effect of potentially dilutive common shares: | | |
| Compensation to employees | 594 | 271 |
| Weighted average number of common shares used for calculation of diluted earnings per share | 299,831 | 299,508 |

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

XXIX. Cash Flow Information

(I) Non-cash transactions

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

1. The consolidated Company reclassified prepayments for equipment of NT$29,046 thousand and NT$29,500 thousand to PP&E for the years of 2022 and 2021, respectively (please refer to Note 15 for details);
2. The consolidated Company reclassified prepaid land expenses of NT$23,578 thousand to PP&E of NT$ 220 thousand for the year of 2022 (please refer to Note 18 for details);
3. The consolidated Company reclassified prepaid expenses of NT$2,162 thousand to PP&E for the year of 2022 (please refer to Note 15 for details)
4. The consolidated Company reclassified construction in process of NT$29 thousand to miscellaneous purchases in 2022 (please refer to Note 15 for details);
5. The consolidated Company reclassified construction in process of NT$59,315 thousand to sundry expenses in 2022 (please refer to Note 15 for details);
6. The consolidated Company reclassified prepaid for sale NT$86,918 thousand to investment properties in 2022 (please refer to 16 for details);
7. The consolidated Company reclassified prepaid expenses of NT$180 thousand to intangible assets in 2022 (please refer to Note 18 for details);
8. The consolidated Company reclassified investment prepayments of NT$100,000 thousand to financial assets at fair value through other

comprehensive profit and loss - non-current in 2022 (please refer to Note 19 for details)

9. The amount of cash collected by the consolidated Company from disposal of non-current assets to be sold in 2022 is adjusted as follows:

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

(II) Changes in liabilities from financing activities

2022

| | January 1, 2022 | Cash Flows | Non-cash Changes: Additional Leases | Non-cash Changes: Interest Expenses | Non-cash Changes: Remeasurement on Lease Modifications | Non-cash Changes: Remeasurement on Termination | Non-cash Changes: Other | Number of Interest Paid | December 31, 2022 |
|---|---|---|---|---|---|---|---|---|---|
| Lease liabilities (Note 16) | $155,007 | ( $ 46,745 ) | $100,235 | $ 1,686 | ( $ 2,516 ) | ( $ 21,125 ) | ( $ 62 ) | ( $ 1,686 ) | $184,794 |

2021

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

## XXX. Capital Risk Management

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

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

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

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

XXXI. Financial instruments

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

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

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

1. Fair value hierarchy

December 31, 2022

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Measured at fair value through profit or loss | | | | |
| Domestic stocks listed or emerging stocks | $ 28,698 | $ - | $ - | $ 28,698 |
| Fund beneficiary certificates | 540,132 | - | - | 540,132 |
| Total | $ 568,830 | $ - | $ - | $ 568,830 |
| Financial assets at fair value through other comprehensive profit and loss | | | | |
| Investments in equity instruments | | | | |
| - Domestic stocks listed or emerging stocks | $ 4,643,454 | $ - | $ - | $ 4,643,454 |
| - Domestic stocks not listed | - | - | 1,888,997 | 1,888,997 |
| Total | $ 4,643,454 | $ - | $ 1,888,997 | $ 6,532,451 |

December 31, 2021

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

(Continued on the next page)

(Continued from the previous page)

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| - Domestic stocks listed or emerging stocks | $ 4,747,710 | $ - | $ - | $ 4,747,710 |
| - Domestic stocks not listed | - | - | 1,672,275 | 1,672,275 |
| Total | $ 4,747,710 | $ - | $ 1,672,275 | $ 6,419,985 |

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

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

2022

| Financial assets | Financial assets at fair value through other comprehensive profit and loss<br>Equity instruments |
|---|---|
| Balance at the beginning of the year | $ 1,672,275 |
| Recognized in other comprehensive profit and loss (unrealized gains (losses) on financial assets at fair value through other comprehensive profit and loss) | 117,047 |
| Reclassifications | 100,000 |
| Liquidation | ( 325 ) |
| Balance at the end of the year | $ 1,888,997 |

2021

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

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

The fair value of investments in unlisted stocks with no active market is estimated using the market approach.

The market approach estimates the fair value with reference to valuation multiples of comparable companies using a liquidity discount rate. The material unobservable inputs used are with liquidity discount rates of 10% to 35%.

(III) Category of financial instruments

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

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

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

(IV) Financial risk management objectives and policies

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

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

1. Market risk

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

(1) Foreign exchange risk

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

For the carrying amount of the consolidated Company's monetary assets and liabilities denominated in currencies other than the functional currency on the balance sheet date, please refer to Note 35.

Sensitivity analysis

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

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

Unit: In Thousands of New Taiwan Dollars

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

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

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

(2) Interest rate risk

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

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

| | December 31, 2022 | December 31, 2021 |
|---|---|---|
| Fair value interest rate risk | | |
| Financial assets | $ 789,438 | $ 1,800 |
| Financial liabilities | 184,794 | 155,007 |
| Cash flow interest rate risk | | |
| Financial assets | 888,617 | 1,408,615 |
| Financial liabilities | 3,229,082 | 3,658,598 |

The consolidated Company is exposed to cash flow interest rate risk for bank borrowings at floating interest rate. The situation is in compliance with the consolidated Company's policy to keep its borrowings at floating interest rates in order to minimize the fair value interest rate risk. The consolidated Company's cash flow interest rate risk is mainly caused by the fluctuation of benchmark interest rate in relation to the borrowings denominated in foreign currencies.

Sensitivity analysis

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

If the interest rate increased/decreased by 1%, the consolidated Company' s net profit after tax would increase/decrease by NT$18,724 thousand and NT$18,000 thousand for the years of 2022, and 2021, respectively. This was mainly due to the consolidated Company's interest rate exposure from borrowings at floating interest rates.

The increase in the sensitivity to interest rate of the consolidated Company in 2022 was mainly due to an increase in borrowings at floating interest rates.

(3) Other price risk

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

Sensitivity analysis

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

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

2. Credit risk

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

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

3. Liquidity risk

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

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

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

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

December 31, 2022

| | Effective Interest Rate (%) | Less than 1 Month | 1 - 3 Months | 3 Months - 1 Year | 1 - 5 Years | More than 5 Years |
|---|---|---|---|---|---|---|
| Current liabilities | | | | | | |
| Lease liabilities | 0.9~1.6914 | $ 4,193 | $ 8,112 | $ 35,271 | $ 141,460 | $ - |
| Short-term borrowings | 1.55~2.0151 | 670,000 | 2,400,000 | | - | - |
| Long-term borrowings | 2.0519~2.229 | | | | 23,472 | 134,611 |
| Short-term bills payable | ~ | - | - | - | - | - |
| | | $ 674,193 | $ 2,408,112 | $ 35,271 | $ 164,932 | $ 134,611 |

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 | $ 47,576 | $ 141,460 | $ - | $ - | $ - | $ - |

December 31, 2021

| | Effective Interest Rate (%) | Less than 1 Month | 1 - 3 Months | 3 Months - 1 Year | 1 - 5 Years | More than 5 Years |
|---|---|---|---|---|---|---|
| Current liabilities | | | | | | |
| Lease liabilities | 0.758~1.01 | $ 3,810 | $ 10,813 | $ 36,400 | $ 91,300 | $ 16,283 |
| Short-term borrowings | 0.85~1.49 | 550,000 | 1,430,000 | 500,000 | - | - |
| Short-term bills payable | 0.30~0.79 | 459,767 | 718,831 | - | - | - |
| | | $ 1,013,577 | $ 2,159,644 | $ 536,400 | $ 91,300 | $ 16,283 |

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 | $ 51,023 | $ 91,300 | $ 16,283 | $ - | $ - | $ - |

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

(2) Line of credit

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

XXXII. Related Party Transactions

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

(I) Names and relations of related parties

| Name of Related Party | Relationship with the consolidated Company |
|---|---|
| Shang De Motor Co., Ltd. | Associate |
| Lian Quan Investment Co., Ltd. | Associate |
| WPI-HIGH STREET,LLC | Associate |
| Chyang Sheng Dyeing & Finishing Co., Ltd. | Related party in substance |
| Shin Kong Life Insurance Co., Ltd. | Related party in substance |
| Taishin International Bank Co., Ltd. | Related party in substance |
| Shin Kong Wu Ho-Su Memorial Hospital under Shin Kong Medical Foundation | Related party in substance |
| Shin Kong Investment Trust Co., Ltd. | Related party in substance |
| TAIWAN SHIN KONG COMMERCIAL BANK CO., LTD. | Related party in substance |
| The Great Taipei Gas Corporation | Related party in substance |
| UBright Optronics Corp. | Related party in substance |
| Taishin D.A. Finance Co., Ltd. | Related party in substance |
| Taiwan Security Co., Ltd. | Related party in substance |
| Taiwan Shin Kong Security Co., Ltd. | Related party in substance |
| Waibel Enterprise Inc. | Related party in substance |
| Shinkong Mitsukoshi Department Store Co., Ltd. | Related party in substance |
| Shinkong Synthetic Fibers Corporation | Related party in substance |
| Shinkong Insurance Co., Ltd. | Related party in substance |
| Shinkong Materials Technology Co., Ltd. | Related party in substance |
| Shin-Kong Life Real Estate Service Co., Ltd. | Related party in substance |
| Chengcheng Group Co., Ltd. | Related party in substance |
| Cheng Qian Co., Ltd. | Related party in substance |
| ShinKong Co., Ltd. | Related party in substance |
| Yi Kong Security Co., Ltd. | Related party in substance |
| Yi Guang International Apartments Maintenance and Management Co., Ltd. | Related party in substance |
| Shin Kong Recreation Co., Ltd. | Related party in substance |
| Pan Asian Plastics Corp. | Related party in substance |
| Taipei Star Bank Co., Ltd. | Related party in substance |
| Ji Zhen Co., Ltd. | Related party in substance |
| Taishin Financial Holding Co., Ltd. | Related party in substance |
| Shin Kong Education Foundation | Related party in substance |
| Si Si Co., Ltd. | Related party in substance |

(II) Operating transactions

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

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

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

(III) Purchases

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

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

(IV) Contract liabilities

| Type of Related Party | December 31, 2022 | December 31, 2021 |
|---|---|---|
| Related party in substance | $ 6,061 | $ 6,194 |

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

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

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

No guarantee is required for the outstanding amount of receivables from related parties. No loss allowances were set aside for receivables from related parties for the years of 2022 and 2021.

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

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

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

(VII) Prepayments

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

(VIII) Lease in agreements

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

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

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

(IX) Lease out agreements

Operating lease

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

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

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

## (X) Disposal of investment properties

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

## (XI) Acquired other assets

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

## (XII) Disposal of other Assets

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

## (XIII) Acquisition of intangible assets

Unit: In Thousands of Shares

2022

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

2021

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

(XIV) Disposal of financial assets

Unit: In Thousands of Shares

2021

| Name of Related Party | Financial Statement Account | No. of stock exchange | Underlying Securities | Disposal of the price | Gains and Losses on Disposal |
|---|---|---|---|---|---|
| Shin Kong Investment Trust Co., Ltd. | Financial assets at fair value through profit or loss - current | 5,126 | Shin Kong Chi-Shin Money-ma rket Fund | $ 80,018 | $ 18 |

(XV) Endorsements and guarantees

Endorsements and guarantees provided to others

| Type/Name of Related Party | December 31, 2022 | December 31, 2021 |
|---|---|---|
| Shang De Motor Co., Ltd. | | |
| Guarantee Amount | $ 72,360 | $ 72,360 |
| Amount Actually Drawn | $ 72,360 | $ 72,360 |

(XVI) Other

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

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

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

| Name of Related Party | Details | December 31, 2022 | December 31, 2021 |
|---|---|---|---|
| TAIWAN SHIN KONG COMMERCIAL BANK CO., LTD. | Shares of Shinkong Insurance Co., Ltd. | 10,000 thousands of shares | 10,000 thousands of shares |
| Taishin International Bank Co., Ltd. | Shares of Shinkong Insurance Co., Ltd. | 10,000 thousands of shares | 10,000 thousands of shares |

(XVII) Remuneration to key management

| | 2022 | 2021 |
|---|---|---|
| Short-term employee benefits | $ 27,685 | $ 25,265 |
| Post-employment benefits | 667 | 610 |
| | $ 28,352 | $ 25,875 |

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

XXXIII. Pledged Assets

The following assets have been provided as collateral for borrowings:

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

XXXIV. Significant Contingent Liabilities and Unrecognized Contract Commitments

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

Significant commitments

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

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

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

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

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

December 31, 2022

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

December 31, 2021

| | Foreign Currency | Exchange Rate | Carrying amount |
|---|---|---|---|
| Assets denominated in foreign currency | | | |
| Monetary items | | | |
| USD | $ 30,669 | 27.68 | $ 848,920 |
| Euro | 490 | 31.32 | 15,361 |

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

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

XXXVI. Additional Disclosures in the following Note

(I) Related Information on Significant Transactions:

1. Financing provided to others. (Table 1)
2. Endorsements and guarantees provided to others. (Table 2)
3. Marketable securities held at the end of this period (excluding investments in subsidiaries, associates and controlled joint ventures). (Table 3)
4. Individual securities acquired or disposed of with accumulated amount of at least NT$300 million or 20% of the paid-in capital. (None)
5. Acquisition of individual real estate with amount of at least NT$300 million or 20% of the paid-in capital. (None)
6. Disposal of individual real estate with amount of at least NT$300 million or 20% of the paid-in capital. (None)
7. Related party transactions with purchase or sales amount of at least NT$100 million or 20% of the paid-in capital. (Table4)
8. Accounts receivables from related parties of at least NT$100 million or 20% of the paid-in capital. (None)
9. Derivative financial instrument transactions. (None)
10. Others: Intercompany relationships and significant intercompany transactions. (None)

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

(III) Information on Investments in Mainland China:

1. For investees in mainland China, please show the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in mainland China. (Table 6)

2. Any of the following significant transactions with investees in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses: (None)

   (1) Purchase amount and percentage, and the closing balance and percentage of the related payables.

   (2) Sales amount and percentage, and the closing balance and percentage of the related receivables.

   (3) Property transaction amount and the resulting gain or loss.

   (4) Ending balances and purposes of endorsements/guarantees or collateral provided.

   (5) The maximum balance, ending balance, interest rate range and total amount of interest of financing for the current year.

   (6) Other transactions having a significant influence on profit or loss or financial status of the current year, such as providing or receiving services.

(IV) Information on major shareholders: Name, number of shares held, and shareholding percentage of shareholders with shareholding percentage exceeding 5%. (Table 7)

XXXVII. Segment Information

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

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

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

Real Estate Department (land development and real estate leasing)

(I) Department revenue and operation performance

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

| | 2022 | | | |
|---|---|---|---|---|
| | Marketing Department | Retail Department | Real Estate Department | Total |
| Revenue from external customers | $ 2,220,377 | $ 761,835 | $ 367,077 | $ 3,349,289 |
| Intersegment revenue | 3,378 | 3,987 | 7,383 | 14,748 |
| Segment revenue | $ 2,223,755 | $ 765,822 | $ 374,460 | 3,364,037 |
| Internal elimination | | | | ( 14,748 ) |
| Consolidated revenue | | | | $ 3,349,289 |
| Segment profit or loss | $ 178,388 | $ 50,233 | $ 222,590 | $ 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 | | | | 73,760 |
| Net income before tax | | | | $ 2,263,521 |

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

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

(II) Information about major customers

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

Shinkong Textile Co., Ltd. and Subsidiaries

Financing provided to others

2022

Table I

Unit: In Thousands of New Taiwan Dollars

| No. | The Company provided financing to others | Counterparty | Transaction's Item | Whether A Related Party | Maximum Balance for the Period | Balance at the end of the period | Amount Actually Drawn | Interest Rate | Nature of Financing Provided | Transaction Amount | Reason for Short-term Financing | Loss Allowance | Collateral | | Financing Limit for Individual Borrower | Limit on Total Financing Amount | Note |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | | | | | Name | Value | | | |
| 0 | Shinkong Textile Co., Ltd. | Xin Fu Development Co., Ltd. | Receivables from related parties | Yes | $ 80,000 | $ - | $ - | 1% | Necessity of short-term financing | $ - | Operating turnover | $ - | | $ - | $ 1,174,294 | $ 4,697,177 | Note 2 |
| 1 | Shinkong Asset Management Co., Ltd. | Xin Fu Development Co., Ltd. | Receivables from related parties | Yes | 80,000 | 80,000 | 70,000 | 1.3-1.61% | Necessity of short-term financing | - | Operating turnover | - | | - | 1,229,390 | 8,220,059 | Note 3 |
| 1 | Shinkong Asset Management Co., Ltd. | Shinkong Textile Co., Ltd. | Receivables from related parties | Yes | 300,000 | 300,000 | - | 1.64% | Necessity of short-term financing | - | Operating turnover | - | | - | 1,229,390 | 8,220,059 | Note 3 |

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

(1) For the issuer, fill in 0.

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

Note 2. Shinkong Textile Co., Ltd. Financing Provided:

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

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

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

Note 3. Financing provided to Shinkong Asset Management Co., Ltd.:

For financing provided to a company or firm that needs short-term financing, the total financing amount shall not exceed 70% of the parent Company's net worth and each financing provided to a single party shall not exceed 20% of the parent Company's net worth while the total financing provided to a single party shall be limited to 40% of the lender's net worth.

Maximum amount of financing to companies or firms requiring short-term financing: 11,742,942 x 70% = 8,220,059

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

Shinkong Textile Co., Ltd. and Subsidiaries

Endorsements and guarantees provided to others

2022

Table II

Unit: In Thousands of New Taiwan Dollars

| No. | Name of Endorsements and Guarantees Company | Endorsee and Guarantee | | Limits on Endorsement and Guarantee Amount Provided to A Single Entity (Note 3) | Maximum Endorsement and Guarantee Balance for the Period | Balance of endorsements and guarantees at the end of the period | Amount Actually Drawn | Amount of Endorsement and Guarantee Collateralized by Property | Ratio of Accumulated Endorsement and Guarantee to Net Equity per Latest Financial Statements (%) | Endorsements and guarantees Maximum limit (Note 3) | Endorsement and Guarantee Provided by Parent for Subsidiary | Endorsement and Guarantee Provided by Subsidiary for Parent | Endorsement and Guarantee Provided for Subsidiary in Mainland China | Note |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Name of Company | Relationship | | | | | | | | | | | |
| 0 | Shinkong Textile Co., Ltd. | Shang De Motor Co., Ltd. | 6 | $ 2,348,588 | $ 72,360 | $ 72,360 | $ 72,360 | $ - | 0.6% | $ 5,871,471 | N | N | N | Note 3 |
| 1 | Shinkong Asset Management Co., Ltd. | Shinkong Textile Co., Ltd. | 3 | 11,742,942 | 1,350,000 | 1,350,000 | 1,350,000 | 1,350,000 | 11.5% | 11,742,942 | N | Y | N | Note 3 |
| 2 | Hua Yang Motor Co., Ltd. | Shinkong Textile Co., Ltd. | 3 | 11,742,942 | 710,000 | 710,000 | 710,000 | 710,000 | 6.1% | 11,742,942 | N | Y | N | Note 3 |
| 2 | Hua Yang Motor Co., Ltd. | Shinkong Asset Management Co., Ltd. | 3 | 11,742,942 | 710,000 | 710,000 | 710,000 | 710,000 | 6.1% | 11,742,942 | N | Y | N | Note 3 |

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

(1) For the issuer, fill in 0.

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

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

(1) Companies with which the Company conducts business.

(2) A company in which the Company directly and indirectly holds more than 50% of the voting shares.

(3) A company that directly and indirectly holds more than 50% of the Company's voting shares.

(4) Between companies in which the Company directly and indirectly holds more than 90% of the voting shares.

(5) A mutual insurance company in accordance with the contract requirements of the trade or joint contractors based on the needs of the contract works.

(6) Shareholders making endorsements and guarantees for their mutually invested company in proportion to their shareholding ratio.

(7) Joint and several securities between companies in the same industry for performance guarantees of pre-construction homes under the Consumer Protection Act.

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

(1) The Company and subsidiaries' aggregate amount of endorsement and guarantee for external entities shall not exceed 50% of the Company's net worth. The maximum endorsement and guarantee for a single entity shall not exceed 20% of the Company's net worth.

(2) According to the rules above, the maximum amount of aggregate endorsement and guarantee provided by the Company and subsidiaries was the net worth of 11,742,942 × 50% = 5,871,471 and the maximum endorsement and guarantee for a single entity was the net worth of 11,742,942× 20% = 2,348, 588 for the year of 2022.

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

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

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

Shinkong Textile Co., Ltd. and Subsidiaries

Marketable securities held at the end of the period

December 31, 2022

Table III

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

| Holding Company | Type and Name of Securities (Note 1) | Relationship with Issuer of Securities (Note 2) | Financial Statement Account | At the end of the period | | | | Note (Note 3) |
|---|---|---|---|---|---|---|---|---|
| | | | | Number of Shares (in thousands) | Carrying amount | Shareholding (%) | Fair value | |
| Shinkong Textile Co., Ltd. | Beneficiary certificates | | | | | | | |
| | Yuanta/P-shares Taiwan Top 50 ETF | None | Financial assets at fair value through profit or loss - current | 1,060 | $ 116,812 | - | $ 116,812 | |
| | GSOF Fund | None | 〃 | 18 | 61,558 | - | 61,558 | |
| | COTTONWOOD Fund | None | 〃 | 9 | 352,052 | - | 352,052 | |
| | Stocks - Listed Company | | | | | | | |
| | Asia Pacific Telecom Co., Ltd. | None | 〃 | 524 | 3,198 | 0.01 | 3,198 | |
| | TacBright Optronics Corporation | (6) | 〃 | 5,000 | 25,500 | 1.08 | 25,500 | |
| Shinkong Asset Management Co., Ltd. | Beneficiary certificates | | | | | | | |
| | Shin Kong Taiwan High Dividend Fund | (6) | 〃 | 1,000 | 9,710 | - | 9,710 | |
| | | | | | $ 568,830 | | $ 568,830 | |
| Shinkong Textile Co., Ltd. | Stocks - Listed Company | | | | | | | |
| | Chyang Sheng Dyeing & Finishing Co., Ltd. | (3) | Financial assets at fair value through other comprehensive profit and loss - current | 32,629 | $ 480,889 | 19.41 | $ 480,889 | |
| | Shinkong Synthetic Fibers Corporation | (4) | 〃 | 56,104 | 984,630 | 3.47 | 984,630 | |
| | Taishin Financial Holding Co., Ltd. | (6) | 〃 | 7,500 | 113,251 | 0.06 | 113,251 | |
| | Shin Kong Financial Holding | (6) | 〃 | 4,609 | 40,419 | 0.03 | 40,419 | |
| Shinkong Asset Management Co., Ltd. | Chyang Sheng Dyeing & Finishing Co., Ltd. | Shinkong Assets is the company's corporate director | 〃 | 413 | 5,909 | 0.24 | 5,909 | |
| | | | | | $ 1,625,098 | | $ 1,625,098 | |
| Shinkong Textile Co., Ltd. | Stocks - Listed Company | | | | | | | |
| | Xintec Inc. | None | Financial assets at fair value through other comprehensive profit and loss - non-current | 141 | $ 13,578 | 0.05 | $ 13,578 | |
| | O-Bank Co., Ltd. | None | 〃 | 10,385 | 87,128 | 0.34 | 87,128 | |
| | The Great Taipei Gas Corporation | (6) | 〃 | 10,738 | 334,489 | 2.08 | 334,489 | |
| | Taishin Financial Holding Co., Ltd. - preferred stocks E | (6) | 〃 | 228 | 11,769 | 0.03 | 11,769 | |

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

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

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

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

(3): The Company's subsidiary accounted for using the equity method is the company's corporate director.

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

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

(6): Other related parties.

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

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

Shinkong Textile Co., Ltd. and Subsidiaries

Disposal of individual real estate with amount of at least NT$300 million or 20% of the paid-in capital

January 1 to December 31, 2022

Table IV

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

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

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

Shinkong Textile Co., Ltd. and Subsidiaries

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

January 1 to December 31, 2022

Table V

Unit: In Thousands of New Taiwan Dollars

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

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

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

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

Shinkong Textile Co., Ltd. and Subsidiaries

Names, locations, and other information of investees

January 1 to December 31, 2022

Table VI

Unit: In Thousands of Shares / New Taiwan Dollars

| Investor | Name of investee company | Location | Principal Business Activities | Initial Investment Amount | | Holding at the end of the period | | | Income (Loss) of the Investee | Investment Gain (Loss) | Note |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | At the end of the current period | End of Last Year | Number of shares | % | Carrying amount | | | |
| Shinkong Textile Co., Ltd. | Shinkong Asset Management Co., Ltd. | F15, No. 44, Section 2, Zhongshan N Road, Zhongshan District, Taipei | Development and rental of housing, building and industrial factory, development of specific areas and investment, development and construction in public construction | $ 664,719 | $ 664,719 | 25,490 | 100.00 | $ 3,041,282 | $ 1,410,460 | $ 1,409,656 | Note 1, Subsidiary |
| 〃 | Lian Quan Investment Co., Ltd. | F6, No. 44, Section 2, Zhongshan N Road, Zhongshan District, Taipei | Reinvestment in a wide range of businesses, including manufacturing, banking, insurance, recreation, securities, trading, general merchandises, cultural undertakings and the construction of commercial buildings and public housing units. | 83,113 | 83,113 | 11,192 | 48.89 | 363,569 | 18,581 | 9,084 | |
| 〃 | SK INNOVATION CO., LTD. | Portcullis Trust Net Chambzs, P.O. Box1225, Apia, Samoa | General investment business | 21,424 | 21,424 | 700 | 100.00 | 8,067 | ( 2,732 ) | ( 2,732 ) | Subsidiaries |
| 〃 | Shang De Motor Co., Ltd. | No. 518, Zhongzheng Rd., Xinzhuang Dist., New Taipei City | Trading and maintenance of motor vehicles and trading of auto parts. | 269,699 | 269,699 | 9,715 | 33.50 | 300,027 | 142,954 | 47,890 | |
| 〃 | WPI-High Street LLC | 5190 Campus Dr., Newport Beach, CA 92660 | General investment business | 74,656 | 65,885 | - | 35.71 | 55,332 | 47,009 | 16,787 | |
| Shinkong Asset Management Co., Ltd. | Xin Fu Development Co., Ltd. | F15, No. 44, Section 2, Zhongshan N Road, Zhongshan District, Taipei | Development and rental of housing, building and industrial factory, and development of specific areas | 764,862 | 764,862 | 20,000 | 100.00 | 769,211 | 2,472 | 2,427 | Second-tier subsidiary |
| 〃 | Hua Yang Motor Co., Ltd. | F15, No. 44, Section 2, Zhongshan N Road, Zhongshan District, Taipei | Wholesale of motor vehicles, retail sale of auto and motorcycle parts and accessories, automobile repair, other automobile services, leasing, and manufacturing of motor vehicles/motorcycles and their parts | 349,065 | 349,065 | 33,700 | 100.00 | 382,623 | 43,747 | 43,747 | Second-tier subsidiary |
| Hua Yang Motor Co., Ltd. | One Full Co., Ltd. | F15, No. 44, Section 2, Zhongshan N Road, Zhongshan District, Taipei | Retail sale of cloths, retail sale, retail sale without storefront, other integrated retail sale, and international trade. | 76,000 | 76,000 | 7,600 | 100.00 | 33,426 | ( 8,489 ) | ( 8,489 ) | Second-tier subsidiary |

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

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

Shinkong Textile Co., Ltd. and Subsidiaries

Information on Investments in Mainland China

January 1 to December 31, 2022

Table VII

Unit: In Thousands of New Taiwan Dollars; Foreign Currencies

| Name of mainland investee company | Principal Business Activities | Paid-in Capital | Method of Investments | Accumulated Outward Remittance for Investment from Taiwan at the beginning of the current period | The amount of investment remitted or recovered during the current period | | Accumulated Outward Remittance for Investment from Taiwan at the end of the current period | Net Income (Loss) of the Investee in the current period | % Ownership of Direct or Indirect Investment | Investment profit or loss recognized in the current period (Note 2) | Investment carrying value at the end of the current | Accumulated Repatriation of Investment Income as of the current period | Note |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | Outflow | Inflow | | | | | | | |
| Shanghai Xin Ying Trading Co., Ltd. | Garments, leather suitcases, daily commodities, craft gifts (except for cultural relics) and packaging materials. | $ 21,362 | Note 1 (2) | $ 21,362 | $ - | $ - | $ 21,362 | ( $ 2,732 ) | 100 | ( $ 2,732 ) (2)-C | $ 8,064 | $ - | - |

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

(1) Direct investment in mainland China.

(2) Reinvesting in the Mainland through SK INNOVATION CO., LTD. in the third area.

(3) Other method.

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

(1) Indicate if no investment gain (loss) is recognized as an investee is under preparation.

(2) Indicate if investment gain (loss) is recognized on one of the following bases:

A. Financial statements audited by international accounting firms cooperating with accounting firms in the Republic of China.

B. Financial statements audited by the parent company's CPAs in Taiwan.

C. Others (financial statements for the same periods prepared by above investees).

| Accumulated Outward Remittance for Investment in Mainland China at the end of the current period | Investment Amounts Authorized by Investment Commission | Upper Limit on the Amount of Investment Stipulated by Investment Commission |
|---|---|---|
| $ 21,362 | $ 1,000 USD<br>30,710TWD | $ 7,045,765 |

Shinkong Textile Co., Ltd.

Information on Major Shareholders

December 31, 2022

Table VIII

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

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