

Shinkong Textile Co., Ltd.

Parent Company Only Financial
Statements and Independent
Auditors' Report
For the Years ended December 31,
2020 and 2021

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Independent Auditors' Report

To Shinkong Textile Co., Ltd. For general public information:

Audit opinion

We have audited the parent company only balance sheets of Sinkong Textile Co., Ltd. (hereinafter referred to as the "Company") as of December 31 2020 and 2021; and the related parent company only statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to parent company only financial statements (including a summary on significant accounting policies).

In our opinion, the aforementioned parent company only financial statements present fairly, in all material respects, the parent company only financial status of the Company as of December 31, 2021 and 2020, and its parent company only financial performance and cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

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

Key Audit Matters

Key audit matters are ones that were of most significance in our audit of the parent company only financial statements of the Company for the year ended December 31, 2021 based on our professional judgment. These matters have been covered during the audit of the overall parent

company only financial statements and in forming the audit opinion. We will not express a separate opinion on these matters.

Key audit matters of the parent company only financial statements of Sinkong Textile Co., Ltd. for the year ended December 31, 2021 are as follows:

Authenticity of sales revenue from specific customers

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

Our corresponding audit procedures were as follows:

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

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

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the parent company only financial statements as a whole are free from material misstatement, whether due to fraud or error,

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

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

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

6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities within the Company to express an opinion on the parent company only financial statements. We are responsible for the direction, supervision, and performance of the audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine the key audit matters of the Company's parent company only financial statements for the year ended December 31, 2021. We describe these matters in our independent auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter shall not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Deloitte & Touche

CPA Li-Huang Li

CPA Jui-Chuan Chih

Securities and Futures Commission
Approval No.

Tai-Cai-Zheng-6-0930128050

Financial Supervisory Commission Approval
No.

Jin-Guan-Zheng-Shen-1060023872

March 21, 2022

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

(In Thousands of New Taiwan Dollars)

Code	Assets	December 31, 2021		December 31, 2020	
		Amount	%	Amount	%
	Current assets				
1100	Cash and cash equivalents (Note 6 & 31)	\$ 746,846	5	\$ 506,335	4
1110	Financial assets at fair value through profit or loss (Note 7)	172,462	1	187,529	2
1120	Financial assets at fair value through other comprehensive income - current (Note 8)	1,764,409	13	1,240,057	10
1150	Notes receivable (Notes 10 and 31)	29,684	-	7,152	-
1170	Accounts receivable (Note 10)	355,770	3	282,717	2
1180	Accounts receivable - related parties, net (Notes 10 and 31)	44,700	-	37,908	-
1200	Other receivables	19,164	-	8,891	-
1210	Other receivables - related parties (Note 31)	82,382	1	19,640	-
1220	Current tax assets (Note 25)	46	-	848	-
130X	Inventories (Note 11)	756,826	5	446,537	4
1410	Prepayments (Note 17)	157,941	1	56,335	-
1470	Other current assets (Note 17)	12	-	7,737	-
11XX	Total current assets	<u>4,130,242</u>	<u>29</u>	<u>2,801,686</u>	<u>22</u>
	Non-current assets				
1517	Financial assets at fair value through other comprehensive income - non-current (Notes 8, 31 and 32)	4,599,348	32	4,216,295	34
1535	Financial assets at amortized cost - non-current (Notes 9, 31 and 32)	1,800	-	1,800	-
1550	Investments accounted for using the equity method (Note 12)	2,375,309	17	2,332,254	19
1600	Property, plant and equipment (Notes 13 and 28)	351,627	2	271,270	2
1755	Right-of-use assets (Note 14)	146,950	1	95,613	1
1760	Investment properties (Notes 15 and 32)	2,643,787	19	2,666,789	21
1780	Other intangible assets (Note 16)	2,338	-	2,218	-
1840	Deferred tax assets (Notes 25)	28,602	-	36,326	-
1990	Other non-current assets (Note 17)	36,712	-	52,841	1
15XX	Total non-current assets	<u>10,186,473</u>	<u>71</u>	<u>9,675,406</u>	<u>78</u>
1XXX	TOTAL ASSETS	<u>\$ 14,316,715</u>	<u>100</u>	<u>\$ 12,477,092</u>	<u>100</u>
	Liabilities and equity				
	Current liabilities				
2100	Short-term borrowings (Notes 18 and 32)	\$ 1,880,000	13	\$ 1,350,000	11
2110	Short-term notes payable (Note 18)	1,128,646	8	858,849	7
2130	Contract liabilities - current (Notes 23 and 31)	25,960	-	49,901	-
2150	Notes payable (Note 19)	257,405	2	99,439	1
2160	Notes payable - related parties (Notes 19 and 31)	38,340	-	12,039	-
2170	Accounts payable (Note 19)	97,338	1	58,740	-
2180	Accounts payable - related parties (Notes 19 and 31)	7,653	-	529	-
2219	Other payables (Note 20)	116,620	1	80,718	1
2220	Other payables - related parties (Notes 20 and 31)	1,166	-	1,231	-
2230	Current tax liabilities (Note 25)	16,594	-	28,560	-
2280	Lease liabilities - current (Note 14)	46,002	-	36,117	-
2320	Current portion of long-term borrowings (Note 18)	-	-	190,000	2
2399	Other current liabilities (Note 20)	23,684	-	2,260	-
21XX	Total current liabilities	<u>3,639,408</u>	<u>25</u>	<u>2,768,383</u>	<u>22</u>
	Non-current liabilities				
2570	Deferred tax liabilities (Notes 25)	519,828	4	517,977	4
2580	Lease liabilities - non-current (Note 14)	105,094	1	60,887	1
2645	Guarantee deposits (Note 31)	41,267	-	42,481	-
25XX	Total non-current liabilities	<u>666,189</u>	<u>5</u>	<u>621,345</u>	<u>5</u>
2XXX	Total liabilities	<u>4,305,597</u>	<u>30</u>	<u>3,389,728</u>	<u>27</u>
	Equity (Note 22)				
	Share Capital				
3110	Common shares	3,000,413	21	3,000,413	24
3200	Capital surplus	8,928	-	7,911	-
	Retained earnings				
3310	Legal reserve	497,780	4	459,911	4
3320	Special reserve	1,006,548	7	1,006,548	8
3350	Unappropriated earnings	1,058,957	7	951,961	7
3300	Total retained earnings	<u>2,563,285</u>	<u>18</u>	<u>2,418,420</u>	<u>19</u>
	Other equity				
3410	Exchange differences on translating the financial statements of foreign operations	(6,638)	-	(5,019)	-
3420	Unrealized gains (losses) on financial assets at fair value through other comprehensive income	4,458,304	31	3,678,813	30
3400	Total other equity	<u>4,451,666</u>	<u>31</u>	<u>3,673,794</u>	<u>30</u>
3500	Treasury share	(13,174)	-	(13,174)	-
3XXX	Total equity	<u>10,011,118</u>	<u>70</u>	<u>9,087,364</u>	<u>73</u>
	TOTAL LIABILITIES AND EQUITY	<u>\$ 14,316,715</u>	<u>100</u>	<u>\$ 12,477,092</u>	<u>100</u>

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

Chairman: Hsin-En Wu

President: Hsin-En Wu

Accounting Manager: Su-Juan Ke

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

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

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

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

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

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

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

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

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

(In Thousands of New Taiwan Dollars)

Code		Share capital		Retained earnings			Other equity		Treasury share	Total Equity	
		Number of Shares (In Thousand Shares)	Amount	Capital surplus	Legal reserve	Special reserve	Unappropriated earnings	Exchange Difference on translating the financial statements of foreign operations			Unrealized gains (losses) on financial assets at fair value through other comprehensive income
A1	Balance at January 1, 2020	300,041	\$ 3,000,413	\$ 6,916	\$ 421,099	\$ 1,006,548	\$ 912,129	(\$ 1,416)	\$ 3,371,877	(\$ 13,174)	\$ 8,704,392
	Appropriation and distribution of earnings for 2019:										
B1	Legal reserve	-	-	-	38,812	-	(38,812)	-	-	-	-
B5	Cash dividends to shareholders of the Company	-	-	-	-	-	(300,041)	-	-	-	(300,041)
	Other changes in capital surplus:										
M1	Changes in capital surplus from dividends paid to subsidiaries	-	-	804	-	-	-	-	-	-	804
M7	Changes in percentage of ownership interests in subsidiaries	-	-	-	-	-	(8,064)	-	-	-	(8,064)
T1	Dividends not collected before the designated date	-	-	191	-	-	-	-	-	-	191
Q1	Disposal of investments in equity instruments at fair value through other comprehensive income	-	-	-	-	-	18,614	-	(18,614)	-	-
D1	Net income in 2020	-	-	-	-	-	365,025	-	-	-	365,025
D3	Other comprehensive income in 2020, net of tax	-	-	-	-	-	3,110	(3,603)	325,550	-	325,057
D5	Total comprehensive income in 2020	-	-	-	-	-	368,135	(3,603)	325,550	-	690,082
Z1	Balance at December 31, 2020	300,041	3,000,413	7,911	459,911	1,006,548	951,961	(5,019)	3,678,813	(13,174)	9,087,364
	Appropriation of 2020 earnings										
B1	Legal reserve	-	-	-	37,869	-	(37,869)	-	-	-	-
B5	Cash dividends to shareholders of the Company	-	-	-	-	-	(300,041)	-	-	-	(300,041)
	Other changes in capital surplus:										
M1	Changes in capital surplus from dividends paid to subsidiaries	-	-	804	-	-	-	-	-	-	804
T1	Dividends not collected before the designated date	-	-	213	-	-	-	-	-	-	213
Q1	Disposal of investments in equity instruments at fair value through other comprehensive income	-	-	-	-	-	10	-	(10)	-	-
D1	Net income in 2021	-	-	-	-	-	450,887	-	-	-	450,887
D3	Other comprehensive income in 2021, net of tax	-	-	-	-	-	(5,991)	(1,619)	779,501	-	771,891
D5	Total comprehensive income in 2021	-	-	-	-	-	444,896	(1,619)	779,501	-	1,222,778
Z1	Balance at December 31, 2021	<u>300,041</u>	<u>\$ 3,000,413</u>	<u>\$ 8,928</u>	<u>\$ 497,780</u>	<u>\$ 1,006,548</u>	<u>\$ 1,058,957</u>	<u>(\$ 6,638)</u>	<u>\$ 4,458,304</u>	<u>(\$ 13,174)</u>	<u>\$ 10,011,118</u>

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

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

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

(In Thousands of New Taiwan Dollars)

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

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

(Continued on the next page)

(Continued from the previous page)

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

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

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

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

I. General Information

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

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

The Company's parent company only financial statements are presented in New Taiwan Dollars, which is the Company's functional currency.

II. Date and Procedures of Authorization of Financial Statements

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

III. Application of New and Amended Standards and Interpretations

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

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

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

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

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

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

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

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

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

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

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

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

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

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

New/Revised/Amended Standards and Interpretations	Effective Date Issued by IASB (Note 1)
Amendment to IFRS 17 "First Application of IFRS 17 and IFRS 9 - Comparative Information"	January 1, 2023
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	January 1, 2023
Amendments to IAS 1 "Disclosure Initiative - Accounting Policies"	January 1, 2023 (Note 2)
Amendments to IAS 8 "Definition of Accounting Estimates"	January 1, 2023 (Note 3)
Amendments to IAS 12 "Deferred Tax related to Assets and Liabilities Arising from Single Transaction"	January 1, 2023 (Note 4)

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

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

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

Note 4: The amendments are applicable prospectively to the transactions incurred after January 1, 2022, except for the deferred tax accounted for on temporary differences in leasing and decommissioning obligation as of January 1, 2022.

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

V. Summary of Significant Accounting Policies

(I) Statement of compliance

The parent company only financial statements have been prepared in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

(II) Basis of preparation

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

The fair value measurement is classified into three levels based on the observability and importance of related input:

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

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

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

Current assets include:

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

Current liabilities include:

1. Liabilities incurred for trading purposes;
2. Liabilities due to settle within 12 months after the balance sheet date; and
3. Liabilities with a repayment schedule that cannot be unconditionally deferred till at least 12 months after the balance sheet date.

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

(IV) Foreign Currency

In the preparation of financial statements, transactions denominated in a currency other than the Company's functional currency (i.e., foreign currency) are translated

into the Company's functional currency by using the exchange rate at the date of the transaction.

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

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

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

In the preparation of the parent company only financial statements, the assets and liabilities of foreign operations (including subsidiaries that operate in a country or currency different from the Company) are translated into the New Taiwan dollar at the rate of exchange prevailing on the balance sheet date. Income and expenses are translated at the average rate of the period. The exchange differences arising are recognized in other comprehensive income.

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

In relation to a partial disposal of a foreign operation's subsidiary that does not result in the Company losing control over the subsidiary, the proportionate share of accumulated exchange differences is included in the calculation of equity transactions but is not recognized in profit or loss. For all other partial disposals of a foreign operation, the proportionate share of the accumulated exchange difference is reclassified to profit or loss.

(V) Inventories

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

(VI) Investments in Subsidiaries

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

"Subsidiary" refers to any entity (including structural entity) under the control of the Company.

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

When a change in the Company's ownership interests in a subsidiary does not cause it to lose control of the subsidiary, it shall be accounted for as an equity transaction. The difference between the carrying amount of the investments and the fair value of the consideration paid or received is recognized directly in equity.

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

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

When the Company assesses impairment, the test shall be performed on the basis of cash-generating units (CGUs) within the financial statements. The recoverable amount and the carrying amount of CGUs shall be compared. If the recoverable amount of the asset subsequently increases, the Company recognizes reversal of the impairment loss as a gain. However, the reversal is limited so that the carrying amount of the asset does not exceed the carrying amount that would have been determined, net of amortization, had no impairment loss been recognized for the asset in prior periods. Impairment losses attributable to goodwill shall not be reversed in subsequent periods.

When the Company loses control of a subsidiary, it recognizes the investment retained in the former subsidiary at its fair value at the date when control is lost. The difference between the fair value of the retained investment plus any proceeds from disposal and the carrying amount of the previous investment at the date when control is lost is recognized in profit or loss. Also, the Company accounted for all amounts recognized in other comprehensive income in relation to the subsidiary on the same basis as would be required if the Company had directly disposed of the related assets and liabilities.

The unrealized profit or loss in downstream transactions between the Company and the subsidiaries shall be eliminated in the parent company only financial statements. Profit or loss from upstream and lateral transactions between the Company and the subsidiaries are recognized in the parent company only financial statements only to the extent of interests in the subsidiaries that are not related to the Company.

(VII) Investment in associates

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

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

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

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

fair value of the identifiable assets and liabilities over the cost of acquisition is recognized as profit or loss in the current year.

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

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

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

The Company shall cease the use of equity method from the date when its investment is no longer an associate. Its retained interest in the associate is measured at fair value, and the difference between the fair value of the retained interest plus proceeds from disposal and the carrying amount of the previous investment at the date when the use of equity method is halted is recognized in profit or loss. Also, the company accounted for all amounts recognized in other comprehensive income in

relation to the associate on the same basis as would be required if the associate had directly disposed of the related assets and liabilities. If an investment in an associate becomes an investment in a joint venture or vice versa, the Company continues to apply the equity method and does not remeasure the retained interest.

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

(VIII) Property, plant and equipment

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

PP&E under construction is recognized at cost less accumulated impairment loss. Cost includes professional fees and borrowing costs eligible for capitalization. Such assets are classified into the appropriate categories of PP&E and depreciated when they are completed and ready for their intended use.

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

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

(IX). Investment properties

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

Self-owned investment property is initially measured at cost, including transaction costs. Subsequent to initial recognition, investment property is measured at cost less accumulated depreciation and accumulated impairment loss. Depreciation is recognized on a straight-line basis.

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

(X) Intangible assets

1. Separate Acquisition

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

2. Derecognition

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

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

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

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

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

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

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

(XII) Financial instruments

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

Financial assets and financial liabilities not at fair value through profit or loss are measured at fair value plus transaction costs that are directly attributable to the

acquisition or issue of financial assets and financial liabilities on initial recognition. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

1. Financial Assets

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

(1) Measurement Types

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

A. Financial assets at fair value through profit or loss

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

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

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

B. Financial Assets at Amortized Cost

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

- a. Financial assets are under a business model whose purpose is to hold financial assets and collecting contractual cash flows; and
- b. The contractual terms give rise to cash flows on specified dates that are solely payments of principal and interest on the principal amount outstanding.

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

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

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

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

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

- C. Investments in equity instruments at fair value through other comprehensive income

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

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

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

(2) Impairment of financial assets and contract assets

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

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

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

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

- A. There is internal or external information indicating that it is impossible for the debtor to repay the debt.
- B. It is more than 90 days overdue, unless there is reasonable and verifiable information to show that the deferred default basis is more appropriate.

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

(3) Derecognition of Financial Assets

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

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

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

2. Equity instruments

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

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

The repurchase of the Company's own equity instruments is recognized in and deducted directly from equity. The purchase, sale, issuance, or cancellation of the Company's own equity instruments is not recognized in profit or loss.

3. Financial liabilities

(1) Subsequent Measurement

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

(2) Derecognition of Financial Liabilities

When a financial liability is de-recognized, the difference between its carrying amount and the paid consideration (including any transferred non-cash assets or liabilities assumed) shall be recognized in profit or loss.

(XIII). Revenue recognition

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

Revenue from the sale of goods

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

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

(XIV) Leases

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

1. The Company is a Lessor

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

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

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

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

2. The Company is a Lessor

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

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

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

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

Subsequently, the lease liability is measured at amortized cost using the effective interest method with interest expense recognized over the lease terms. When there is a change in future lease payments during the lease term, the Company remeasures the lease liabilities with a corresponding adjustment to the right-of-use-assets. However, if the carrying amount of the right-of-use assets is already reduced to zero, the remaining amount of the remeasurement is recognized in profit or loss. If there is a change in future lease payments due to changes in the assessment of the lease term, the amounts expected to be paid under residual value guarantees, and purchase option of the underlying assets, or a change in the index or rate used to determine lease payments, the Company shall remeasure the lease liabilities and adjusts the right-of-use assets accordingly. However, if the carrying amount of the right-of-use assets has been reduced to zero, the remaining remeasured amount is recognized in profit or loss.

For lease modifications that are not treated as a separate lease, remeasurement of the lease liabilities due to the reduction in the scope of the lease is to reduce the right-of-use assets, and to recognize the profit or loss on the partial or full termination of the lease; the remeasurement of the lease liabilities due to other modifications is to adjust the right-of-use assets. Lease liabilities are separately presented on the parent company only balance sheets.

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

(XV) Borrowing Costs

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

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

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

(XVI) Government subsidy

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

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

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

(XVII). Employee benefits

1. Short-Term Employee Benefits

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

2. Benefits after retirement

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

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

Net defined benefit liabilities (assets) is the shortfall (surplus) for defined benefit pension plans. A net defined benefit asset shall not exceed the present value of the contributions to be refunded from the plan, or the reductions in future contributions.

(XIII) Income Tax

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

1. Current Income Tax

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

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

2. Deferred Tax

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

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

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

there will be sufficient taxable profit against which to utilize the temporary differences and they are expected to reverse in the foreseeable future.

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

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

3. Current and deferred income tax

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

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

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

The Company takes into account the recent development of COVID-19 in Taiwan and its possible impact on the economic environment in the estimation of cash flow, growth rate, discount rate, profitability and other relevant significant accounting estimates, and the management will constantly review the estimations and underlying assumptions. If an amendment of estimates only affects the current period, it shall be recognized in the period of amendment; if an amendment of accounting estimates affects the current year and future periods, it shall be recognized in the period of amendment and future periods.

VI. Cash and cash equivalent

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

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

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

VII. Financial Instruments at Fair Value through Profit or Loss

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

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

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
<u>Current</u>		
Domestic Investment		
Stocks listed on TWSE or TPEX	<u>\$ 1,764,409</u>	<u>\$ 1,240,057</u>
<u>Non-current</u>		
Domestic Investment		
Stocks listed on TWSE or TPEX	\$ 2,927,073	\$ 2,477,176
Stocks unlisted on TWSE or TPEX	<u>1,672,275</u>	<u>1,739,119</u>
Sub-Total	<u>\$ 4,599,348</u>	<u>\$ 4,216,295</u>

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

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

IX. Financial Assets at Amortized Cost

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

Time deposits with original maturities over three months	<u>\$ 1,800</u>	<u>\$ 1,800</u>
--	-----------------	-----------------

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

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

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

X. Notes and accounts receivable

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

Notes and accounts receivable

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

The Company recognizes loss allowance for accounts receivables based on lifetime ECL. The lifetime ECL is calculated based on a provision matrix that takes into account the default history and current financial position of customers, industry economics well as GDP forecasts and industry prospective. The Company's experience in credit loss shows that there is no significant difference in the loss patterns of different customer

groups. Therefore, the provision matrix does not further distinguish the customer base, and only sets the ECL rate based on the overdue days of accounts receivable.

The Company writes off accounts receivable when there is evidence indicating that the counterparty is experiencing severe financial difficulty and there is no realistic prospect of recovery of the receivables. The Company continues to engage in enforcement activity to recover the receivables after the write-off. Where recoveries are made, they are recognized in profit or loss.

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

December 31, 2021

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

December 31, 2020

	<u>B i l l e d 1 ~ 6 0 D a y s</u>	<u>B i l l e d 61~120 Days</u>	<u>B i l l e d 121~180 Days</u>	<u>B i l l e d over 180 Days</u>	<u>T o t a l</u>
ECL rate	0.01%~0.15%	2.17%~3.42%	4.85%~16.48%	11.94%~100%	
Total carrying amount	\$ 308,169	\$ 19,227	\$ 892	\$ 1,153	\$ 329,441
Allowance for loss (expected credit losses during the period)	(<u>157</u>)	(<u>402</u>)	(<u>62</u>)	(<u>1,043</u>)	(<u>1,664</u>)
Amortized cost	<u>\$ 308,012</u>	<u>\$ 18,825</u>	<u>\$ 830</u>	<u>\$ 110</u>	<u>\$ 327,777</u>

Changes in loss allowances for accounts receivables are as follows:

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

XI. Inventories

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

The cost of goods sold related to inventories for the years ended December 31, 2021 and 2020 was NT\$1,930,334 thousand and NT\$1,410,896 thousand respectively. The cost of goods sold for the years ended December 31, 2021 and 2020 included gain from price recovery of NT\$21,024 thousand and inventory write-down NT\$20,489 thousand respectively. The recovery from the net realizable value of inventories in 2021 was due to the recovery from specific market values.

XII. Investments using equity method

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Investment in subsidiaries	\$ 1,670,058	\$ 1,636,568
Investment in associates	<u>705,251</u>	<u>695,686</u>
	<u>\$ 2,375,309</u>	<u>\$ 2,332,254</u>

(I) Investments in Subsidiaries

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

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

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

(II) Investment in associates

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

1. Associates that are individually material

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

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

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

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

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

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

Lian Quan Investment Co., Ltd.

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

Shang De Motor Co., Ltd.

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

2. Aggregate information of associates that are not individually material

WPI-High Street, LLC

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

XIII. Property, plant and equipment

	<u>L a n d</u>	<u>B u i l d i n g s</u>	<u>M a c h i n e r y a n d E q u i p m e n t</u>	<u>T r a n s p o r t a t i o n E q u i p m e n t</u>	<u>H y d r o p o w e r E q u i p m e n t</u>	<u>M i s c e l l a n e o u s E q u i p m e n t</u>	<u>L e a s e I m p r o v e m e n t</u>	<u>C o n s t r u c t i o n i n P r o g r e s s</u>	<u>T o t a l</u>
<u>Costs</u>									
Balance as of January 1, 2021	\$ 92,452	\$ 245,528	\$ 550,766	\$ 7,625	\$ 84,880	\$ 121,714	\$ 15,159	\$ 3,456	\$ 1,121,580
Additions	-	-	43,799	2,370	34,285	8,728	17,428	947	107,557
Reclassifications	-	28,197	1,997	-	765	657	1,339	(3,455)	29,500
Disposal	-	(11,612)	(13,465)	(2,200)	-	(161)	(14,878)	-	(42,316)
Balance at December 31, 2021	<u>\$ 92,452</u>	<u>\$ 262,113</u>	<u>\$ 583,097</u>	<u>\$ 7,795</u>	<u>\$ 119,930</u>	<u>\$ 130,938</u>	<u>\$ 19,048</u>	<u>\$ 948</u>	<u>\$ 1,216,321</u>
<u>Accumulated depreciation and impairment</u>									
Balance as of January 1, 2021	\$ -	\$ 236,945	\$ 440,474	\$ 6,510	\$ 73,231	\$ 81,182	\$ 11,968	\$ -	\$ 850,310
Depreciation	-	1,804	27,160	736	4,186	8,851	7,517	-	50,254
Disposal	-	(11,612)	(7,422)	(1,797)	-	(161)	(14,878)	-	(35,870)
Balance at December 31, 2021	<u>\$ -</u>	<u>\$ 227,137</u>	<u>\$ 460,212</u>	<u>\$ 5,449</u>	<u>\$ 77,417</u>	<u>\$ 89,872</u>	<u>\$ 4,607</u>	<u>\$ -</u>	<u>\$ 864,694</u>
Net balance at December 31, 2021	<u>\$ 92,452</u>	<u>\$ 34,976</u>	<u>\$ 122,885</u>	<u>\$ 2,346</u>	<u>\$ 42,513</u>	<u>\$ 41,066</u>	<u>\$ 14,441</u>	<u>\$ 948</u>	<u>\$ 351,627</u>
<u>Costs</u>									
Balance at January 1, 2020	\$ 92,452	\$ 245,528	\$ 539,223	\$ 7,625	\$ 84,041	\$ 106,344	\$ 45,051	\$ 156	\$ 1,120,420
Additions	-	-	631	-	219	12,762	-	15,170	28,782

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

Unrecognized or reversal on impairment loss in 2021 and 2020.

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

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

XIV. Lease Agreements

(I) Right-of-use assets

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

Except for the recognition of depreciation expense, the Company's right-of-use assets did not experience significant sub-lease or impairments for the years ended 2021 and 2020.

(II) Lease liabilities

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

(III) Major lease activities and terms

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

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

(IV) Other lease information

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

	<u>2021</u>	<u>2020</u>
Short-term lease expenses	<u>\$ 2,937</u>	<u>\$ 1,404</u>
Total cash (outflow) for leases	<u>(\$ 41,227)</u>	<u>(\$ 40,877)</u>

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

XV. Investment properties

	<u>Land</u>	<u>Buildings</u>	<u>Total</u>
<u>Costs</u>			
Balance as of January 1, 2021	\$ 2,234,993	\$ 1,111,611	\$ 3,346,604
Balance at December 31, 2021	<u>\$ 2,234,993</u>	<u>\$ 1,111,611</u>	<u>\$ 3,346,604</u>
<u>Accumulated depreciation and impairment</u>			
Balance as of January 1, 2021	\$ -	\$ 679,815	\$ 679,815
Depreciation	<u>-</u>	<u>23,002</u>	<u>23,002</u>
Balance at December 31, 2021	<u>\$ -</u>	<u>\$ 702,817</u>	<u>\$ 702,817</u>
Net balance at December 31, 2021	<u>\$ 2,234,993</u>	<u>\$ 408,794</u>	<u>\$ 2,643,787</u>
<u>Costs</u>			
Balance at January 1, 2020	\$ 2,234,993	\$ 1,111,611	\$ 3,346,604
Balance at December 31, 2020	<u>\$ 2,234,993</u>	<u>\$ 1,111,611</u>	<u>\$ 3,346,604</u>
<u>Accumulated depreciation and impairment</u>			
Balance at January 1, 2020	\$ -	\$ 656,814	\$ 656,814
Depreciation	<u>-</u>	<u>23,001</u>	<u>23,001</u>
Balance at December 31, 2020	<u>\$ -</u>	<u>\$ 679,815</u>	<u>\$ 679,815</u>
Net balance at December 31, 2020	<u>\$ 2,234,993</u>	<u>\$ 431,796</u>	<u>\$ 2,666,789</u>

The investment property is subject to lease terms of 1 to 18 years. All operating lease agreements contain a provision whereby the lessee, in exercising the right to renew the lease, adjusts the rent in accordance with 3% to 5% of the prevailing market rent rate. Lessees do not have the bargain purchase option to acquire the property at the end of the lease term.

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

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Year 1	\$ 150,106	\$ 147,270
Year 2	132,589	125,356
Year 3	110,875	108,153
Year 4	85,829	88,538
Year 5	55,052	73,395
Over 5 years	<u>266,301</u>	<u>311,511</u>
	<u>\$ 800,752</u>	<u>\$ 854,223</u>

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

Building

31~50 years

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

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

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

XVI. Other intangible assets

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

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

Computer Software 1~5 years

XVII. Other assets

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

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

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

XVIII. Borrowings

(I) Short-term borrowings

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

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

(II) Short-term bills payable

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

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

December 31, 2021

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

December 31, 2020

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

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

(III) Long-term borrowings

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

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

XIX. Notes and accounts receivable

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

XX. Other liabilities

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

Other payables - related parties (Note 31)	<u>\$ 1,166</u>	<u>\$ 1,231</u>
Other liabilities		
Receipts under custody	\$ 2,367	\$ 2,006
Temporary credits	21,289	143
Deferred revenue	<u>28</u>	<u>111</u>
	<u>\$ 23,684</u>	<u>\$ 2,260</u>

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

	<u>2021</u>	<u>2020</u>
Beginning balance	\$ 111	\$ 194
Amortization for the period (recognized as deductions to depreciation)	(<u>83</u>)	(<u>83</u>)
Ending balance	<u>\$ 28</u>	<u>\$ 111</u>

XXI. Retirement Benefit Plans

(I) Defined contribution plans

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

(II) Defined benefit plans

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

The amounts of defined benefit plans included in the parent company only balance sheets are as follows:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Present value of defined benefit obligation	\$ 48,268	\$ 41,339
Fair value of plan assets	(<u>51,142</u>)	(<u>49,325</u>)
Net defined benefit assets	(<u>\$ 2,874</u>)	(<u>\$ 7,986</u>)

Changes in net defined benefit assets are as follows:

	<u>Present value of defined benefit obligation</u>	<u>Fair value of plan assets</u>	<u>Net defined benefit assets</u>
Balance at January 1, 2020	<u>\$ 42,554</u>	(<u>\$ 46,611</u>)	(<u>\$ 4,057</u>)
Current service costs	135	-	135
Interest expenses (income)	<u>319</u>	(<u>353</u>)	(<u>34</u>)
Recognized in profit or loss	<u>454</u>	(<u>353</u>)	<u>101</u>
Remeasurements			
Return on plan assets (excluding amounts that	-	(1,516)	(1,516)

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

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	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit assets
Contributions from the employer	\$ <u>-</u>	(\$ <u>920</u>)	(\$ <u>920</u>)
Plan assets paid	(<u>75</u>)	<u>75</u>	<u>-</u>
Balance at December 31, 2020	<u>41,339</u>	(<u>49,325</u>)	(<u>7,986</u>)
Service costs			
Current service costs	105	-	105
Interest expenses (income)	<u>207</u>	(<u>249</u>)	(<u>42</u>)
Recognized in profit or loss	<u>312</u>	(<u>249</u>)	<u>63</u>
Remeasurements			
Return on plan assets (excluding amounts that are included in net interest)	-	(626)	(626)
Actuarial losses - changes in financial assumptions	246	-	246
Actuarial losses - experience adjustments	<u>6,371</u>	<u>-</u>	<u>6,371</u>
Recognized in other comprehensive income	<u>6,617</u>	(<u>626</u>)	<u>5,991</u>
Contributions from the employer	<u>-</u>	(<u>942</u>)	(<u>942</u>)
Balance at December 31, 2021	<u>\$ 48,268</u>	(<u>\$ 51,142</u>)	(<u>\$ 2,874</u>)

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

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

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

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Discount rate	0.625%	0.500%
Expected rate of salary increase	2.250%	2.250%

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

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

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

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

XXII. Equity

(I) Capital

Common shares

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Number of shares authorized (in thousands)	<u>360,000</u>	<u>360,000</u>
Share capital authorized	<u>\$ 3,600,000</u>	<u>\$ 3,600,000</u>
Number of shares issued and fully paid (in thousands)	<u>300,041</u>	<u>300,041</u>
Share capital issued	<u>\$ 3,000,413</u>	<u>\$ 3,000,413</u>

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

(II) Capital Surplus

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
<u>May not be used for any purpose</u>		
Treasury share transactions	\$ 7,540	\$ 6,736
Dividends not collected before the designated date	<u>1,388</u>	<u>1,175</u>
	<u>\$ 8,928</u>	<u>\$ 7,911</u>

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

(III) Retained Earnings and Dividends Policy

Based on the earnings distribution policy stated in the amended Articles of Association, the annual earnings of the Company, if any, shall be first appropriated to pay taxes and offset accumulated losses before allocating 10% of the remaining earnings to the legal reserve (not applicable where accumulated legal reserve has equaled the Company's paid-in capital). A special reserve is then appropriated or reversed pursuant to applicable laws and regulations. The Board of Director would then prepare earnings distribution proposal based on the remaining balance together with accumulated unappropriated earnings. Where the earnings are distributed in the form of cash, the Board of Directors is authorized to approve the distribution by a resolution approved by a majority vote at a meeting attended by over two-thirds of the Directors and report to the shareholders' meeting. Where they are distributed in the form of stock dividends, the distribution shall be resolved at the shareholders' meeting. For the policies on distribution of compensation to employees and remuneration of directors and supervisors in the Company's Articles of Incorporation, please refer to Note XXIV (VII) Compensation to employees and remuneration to directors and supervisors.

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

The distribution of earnings for years ended December 31, 2019 and 2020 approved in the shareholders' meetings on July 16, 2021 and June 19, 2020, respectively, was as follows:

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

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

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

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

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

(IV) Other Equity Items

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

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

(V) Treasury shares

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

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

December 31, 2021

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

December 31, 2020

<u>Name of subsidiary</u>	<u>No. of Shares (In Thousand Shares)</u>	<u>Carrying amount</u>	<u>Market Value</u>
Shinkong Asset Management Co., Ltd.	<u>804</u>	<u>\$ 13,174</u>	<u>\$ 34,002</u>

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

XXIII. Revenue

	<u>2021</u>	<u>2020</u>
Revenue from contracts with customers		
Revenue from the sale of goods	\$ 2,398,299	\$ 1,791,614
Rental revenue	153,946	153,486
Others	604	996
	<u>\$ 2,552,849</u>	<u>\$ 1,946,096</u>

(I) Explanation of customer contracts

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

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

(II) Balance of contracts

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

(III) Breakdown of revenue from customer contracts

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

(V) Depreciation and amortization expenses

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

(VI) Employee benefits expenses

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

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

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

Accrual rate

	<u>2021</u>	<u>2020</u>
Compensation to employees	1.99%	1.89%
Remuneration to Directors and Supervisors	1.99%	1.89%

Amount

	<u>C</u>	<u>a</u>	<u>s</u>	<u>h</u>
	<u>2021</u>		<u>2020</u>	
Compensation to employees	<u>\$ 9,700</u>		<u>\$ 7,400</u>	
Remuneration to Directors and Supervisors	<u>\$ 9,700</u>		<u>\$ 7,400</u>	

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

There was no difference between the amounts actually allocated for remunerations of employees, directors and supervisors for 2020 and 2019 and those recognized in the parent company only financial reports for 2020 and 2019.

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

(VIII) Net gain (loss) on foreign exchange

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

XXV. Taxation

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

Major components of income tax expenses are as follows:

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

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

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

(II) Income tax recognized in other comprehensive income

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

(III) Current tax assets and liabilities

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

(IV) Current tax assets and liabilities

Changes in deferred tax assets and liabilities are as follows:

2021

	<u>Beginning balance</u>	<u>Recognized in profit or loss</u>	<u>Recognized other comprehensive income</u>	<u>Ending balance</u>
<u>Deferred tax assets</u>				
Temporary differences				
Inventory write-down	\$ 29,525	(\$ 4,204)	\$ -	\$ 25,321
Difference on unrealized foreign exchange gain (loss)	5,298	(3,925)	-	1,373
Exchange differences on translating of foreign operations	1,502	-	405	1,907
Others	<u>1</u>	<u>-</u>	<u>-</u>	<u>1</u>
	<u>\$ 36,326</u>	<u>(\$ 8,129)</u>	<u>\$ 405</u>	<u>\$ 28,602</u>
<u>Deferred tax liabilities</u>				
Temporary differences				
Defined benefit plans	\$ 2,543	\$ 176	\$ -	\$ 2,719
Gains (losses) on foreign investments accounted for using the equity method	1,898	1,675	-	3,573
Land value increment tax	<u>513,536</u>	<u>-</u>	<u>-</u>	<u>513,536</u>
	<u>\$ 517,977</u>	<u>\$ 1,851</u>	<u>\$ -</u>	<u>\$ 519,828</u>

2020

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

Land revaluation of the Company's freehold land was carried out at the assessed present value in July 1981 and November 2000, respectively, and the provision for land value increment tax of NT\$513,536 thousand (under deferred tax liabilities) was recognized as of December 31, 2021 and 2020.

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

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

(VI) Income tax assessment

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

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

XXVI. Earnings per Share

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

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

Net income

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

Number of shares

	(In Thousands of Shares)	
	2021	2020
Weighted average number of common shares used for calculation of basic earnings per share	299,237	299,237
Effect of potentially dilutive common shares:		
Compensation to employees	<u>271</u>	<u>222</u>
Weighted average number of common shares used for calculation of diluted earnings per share	<u>299,508</u>	<u>299,459</u>

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

XXVII. Government subsidies

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

XXVIII. Cash flow information

(I) Non-cash transactions

Besides disclosures in other notes, the Company engaged in the following non-cash investing activities for the years ended December 31, 2021 and 2020:

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

(II) Changes in liabilities from financing activities

2021

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

2020

	January 1, 2020	Cash Flows	Non-cash Changes					Interest Paid	December 31, 2020
			Additional Leases	Interest Expenses	Lease amendment Remeasurements	Contract termination Remeasurements	Others		
Lease liabilities (Note 14)	\$ 139,722	(\$ 38,321)	\$ 1,319	\$ 1,152	\$ 596	(\$ 6,312)	(\$ 1,152)	(\$ 864)	\$ 97,004

XXIX. Asset risk management

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

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

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

The Company's key management reassesses the capital structure quarterly. The review includes assessment of various costs of capital and related risks. According to the key management's recommendations, the Company balances its overall capital structure

through the payment of dividends, issuance of shares, repurchase of shares, issuance of new debts, repayment of old debts, etc.

XXX. Financial Instruments

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

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

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

1. Fair Value Hierarchy

December 21, 2021

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

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

December 31, 2020

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

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

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

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

2021

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

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

2020

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

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

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

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

(III) Categories of financial instruments

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

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

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

(IV) Financial risk management objectives and policies

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

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

1. Market Risks

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

(1) Interest Rate Risks

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

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

Sensitivity analysis

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

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

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

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

The increase in the sensitivity to exchange rate in 2021 was mainly due to an increase in sales denominated in U.S. dollars which resulted in an increased balance of accounts receivables denominated in U.S. dollars.

(2) Interest Rate Risks

The Company was exposed to interest rate risk because entities within the Company borrowed funds at both fixed and floating interest rates. The Company does not engage in interest rate hedging instruments at present. The management constantly monitors interest rate exposure and will adopt

necessary measures to manage the risk arising from significant changes in market interest rates shall the need arises.

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

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Fair value interest rate risk		
-Financial assets	\$ 1,800	\$ 1,800
- Financial liabilities	\$ 151,096	\$ 97,004
Cash flow interest rate risk		
-Financial assets	\$ 745,953	\$ 505,566
- Financial liabilities	\$ 3,008,646	\$ 2,398,849

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

Sensitivity analysis

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

If the interest rate increases/decreases by 1%, the Company's net income would increase/decrease by NT\$18,102 thousand and NT\$15,146 thousand for the years ended December 31, 2021, and 2020, respectively. This is mainly due to the Company's interest rate exposure from borrowings at floating interest rates.

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

(3) Other Price Risks

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

Sensitivity analysis

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

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

2. Credit Risks

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

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

3. Liquidity Risks

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

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

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

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

December 31, 2021

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

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

	Less than 1 Year	1 ~ 5 Years	5 ~ 10 Years	10 ~ 15 Years	15 ~ 20 Years	20 Years and Above
Lease liabilities	\$ 47,249	\$ 91,149	\$ 16,283	\$ -	\$ -	\$ -

December 31, 2020

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

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

	Less than 1 Year	1 ~ 5 Years	5 ~ 10 Years	10 ~ 15 Years	15 ~ 20 Years	20 Years and Above
Lease liabilities	\$ 36,894	\$ 59,828	\$ 1,906	\$ -	\$ -	\$ -

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

(2) Financing facilities

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

XXXI. Related Parties Transactions

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

(I) Names of related parties and categories

<u>N a m e o f R e l a t e d P a r t y</u>	<u>Relationship with the Company</u>
Shinkong Asset Management Co., Ltd.	Subsidiaries
Xin Fu Development Co., Ltd.	Subsidiaries
SK INNOVATION CO., LTD	Subsidiaries
Hua Yang Motor Co., Ltd.	Subsidiaries
Shanghai Xin Ying Trading Co., Ltd.	Subsidiaries
One Full Co., Ltd.	Subsidiaries
WPI-HIGH STREET. LLC	Associate
Shang De Motor Co., Ltd.	Associate
Lian Quan Investment Co., Ltd.	Associate
Chyang Sheng Dyeing & Finishing Co., Ltd.	Related party in substance
Shin Kong Life Insurance Co., Ltd.	Related party in substance
Taishin International Bank Co., Ltd.	Related party in substance
Shin Kong Wu Ho-Su Memorial Hospital under Shin Kong Medical Foundation	Related party in substance
Shin Kong Investment Trust Co., Ltd.	Related party in substance
Shin Kong Bank Co., Ltd.	Related party in substance
The Great Taipei Gas Corporation	Related party in substance
UBright Optronics Corp.	Related party in substance
Taishin D.A. Finance Co., Ltd.	Related party in substance
Taiwan Security Co., Ltd.	Related party in substance
Taiwan Shin Kong Security Co., Ltd.	Related party in substance
Waibel Enterprise Inc.	Related party in substance

Shinkong Mitsukoshi Department Store Co., Ltd.	Related party in substance
Shinkong Synthetic Fibers Corporation	Related party in substance
Shinkong Insurance Co., Ltd.	Related party in substance
Shinkong Materials Technology Co., Ltd.	Related party in substance
Shin-Kong Life Real Estate Service Co., Ltd.	Related party in substance
Cheng Cheng Co., Ltd.	Related party in substance
Cheng Qian Co., Ltd.	Related party in substance
ShinKong Co., Ltd.	Related party in substance
Yi Guang Security Co., Ltd.	Related party in substance
Yi Guang International Apartments Maintenance and Management Co., Ltd.	Related party in substance
Shin Kong Recreation Co., Ltd.	Related party in substance
Pan Asian Plastics Corp.	Related party in substance
Taipei Star Bank Co., Ltd.	Related party in substance
Taishin Financial Holding Co., Ltd.	Related party in substance
Shin Kong Education Foundation	Related party in substance

(II) Operating revenue

F i n a n c i a l S t a t e m e n t A c c o u n t	T y p e / N a m e o f R e l a t e d P a r t y	2021	2020
Sales revenue	Shinkong Mitsukoshi Department Store Co., Ltd.	\$ 205,705	\$ 212,418
	Shinkong Insurance Co., Ltd.	26,166	8,223
	Subsidiaries	10,639	1,568
	Related party in substance	<u>12,282</u>	<u>12,016</u>
		<u>\$ 254,792</u>	<u>\$ 234,225</u>
Rental revenue	UBright Optronics Corp.	\$ 20,779	\$ 20,068
	Taishin International Bank Co., Ltd.	26,515	26,469
	Related party in substance	<u>9,348</u>	<u>9,589</u>
	<u>\$ 56,642</u>	<u>\$ 56,126</u>	

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

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

(III) Purchase

F i n a n c i a l S t a t e m e n t A c c o u n t	T y p e / N a m e o f R e l a t e d P a r t y	2021	2020
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Purchases	Chyang Sheng Dyeing & Finishing Co., Ltd.	\$ 96,356	\$ 21,409
	Shinkong Synthetic Fibers Corporation Subsidiaries	55,391	12,076
		-	1,175
		<u>\$ 151,747</u>	<u>\$ 34,660</u>

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

(IV) Contract Liabilities

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

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

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

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

No guarantee is required for the outstanding amount of receivables from related parties. No loss allowances were set aside for receivables from related parties for the years ended December 31, 2021 and 2020.

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

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

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

(VII) Advance payment

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

(VIII) Lease-in agreement

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

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

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

(VIII) Lease-out agreement

Operating lease

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

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

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

(X) Acquired financial assets

2021

(In Thousands of Shares)

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

2020

(In Thousands of Shares)

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

(XI) Disposed financial assets

2021

(In Thousands of Shares)

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

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

(In Thousands of Shares)

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

(XII) Loans to Related Parties

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

Interest income

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

(XIII) Endorsements and guarantees

Endorsements and guarantees provided

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

Endorsements and guarantees received

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

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

(XIV) Others

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

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

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

(XV) Remuneration of key management

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

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

XXXII. Assets pledged as collateral or for security

The following assets have been provided as collateral for borrowings:

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

XXXIII. Significant Contingent Liabilities and Unrecognized Contract Commitments

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

Significant commitments

As of December 31, 2021 and 2020, the guaranteed notes submitted by the Company for import credits and other businesses amounted to NT\$25,748 thousand and NT\$8,818 thousand, respectively.

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

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

December 31, 2021

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

	<u>Foreign currency</u>	<u>Exchange Rate</u>	<u>Carrying amount</u>
<u>Non-monetary items</u>			
Subsidiaries, associates and joint ventures accounted for using the equity method			
RMB	2,448	4.344	10,635
<u>Liabilities denominated in foreign currency</u>			
<u>Monetary items</u>			
US\$	\$ 332	27.680	\$ 9,198
EU\$	121	31.320	3,793
 <u>December 31, 2020</u>			
	<u>Foreign currency</u>	<u>Exchange Rate</u>	<u>Carrying amount</u>
<u>Assets denominated in foreign currency</u>			
<u>Monetary items</u>			
US\$	\$ 22,431	28.48	\$ 638,846
EU\$	27	35.02	948
 <u>Non-monetary items</u>			
Subsidiaries, associates and joint ventures accounted for using the equity method			
RMB	2,606	4.377	11,402
 <u>Liabilities denominated in foreign currency</u>			
<u>Monetary items</u>			
EU\$	49	35.02	1,723

The Company's (realized and unrealized) foreign exchange gains and losses for the years ended December 31, 2021 and 2020 amounted to NT\$12,316 thousand and NT\$27,582 thousand, respectively. Since the Company transacts in a number of foreign currencies, foreign exchange gain (loss) cannot be disclosed by foreign currencies with significant impact.

XXXV. Disclosure of Financial Report Notes

(I) Information on Significant Transactions:

1. Financing provided to others. (Table I)

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

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

(III) Investment information in mainland China:

1. For investees in mainland China, please show the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in mainland China. (Table VII)
2. Any of the following significant transactions with investees in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses: (None)
 - (1) Purchase amount and percentage, and the closing balance and percentage of the related payables.
 - (2) Sales amount and percentage, and the closing balance and percentage of the related receivables.
 - (3) Property transaction amount and the resulting gain or loss.
 - (4) Ending balances and purposes of endorsements/guarantees or collateral provided.
 - (5) The maximum balance, ending balance, interest rate range and total amount of interest of financing for the current year.

- (6) Other transactions having a significant influence on profit or loss or financial status of the current year, such as providing or receiving services.
- (IV) Information on major shareholders: Name, number of shares held, and shareholding percentage of shareholders with shareholding percentage exceeding 5%. (Table VIII)

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

Table I

(In Thousands of New Taiwan Dollars)

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

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

(1) The Corporation is "0."

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

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

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

Maximum amount of financing to companies or firms requiring short-term financing: $10,011,118 \times 40\% = 4,004,447$

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

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

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

Maximum amount of financing to companies or firms requiring short-term financing: $10,011,118 \times 70\% = 7,007,783$

The maximum amount permitted to a single borrower: $10,011,118 \times 20\% = 2,002,224$; $1,693,786 \times 40\% = 677,514$

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

Table II

(In Thousands of New Taiwan Dollars)

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

Note 1: The numbers are described as follows:

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

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

- (1) Companies with which the Company conducts business.
- (2) A company in which the Company directly and indirectly holds more than 50% of the voting shares.
- (3) A company that directly and indirectly holds more than 50% of the Company's voting shares.
- (4) Between companies in which the Company directly and indirectly holds more than 90% of the voting shares.
- (5) Companies in same type of business and providing mutual endorsements/guarantees in favor of each other in accordance with the contractual obligations in order to fulfill the needs of the construction project.
- (6) Shareholders making endorsements/guarantees for their mutually invested company in proportion to their shareholding ratio.
- (7) Joint and several securities between companies in the same industry for performance guarantees of pre-construction homes under the Consumer Protection Act.

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

- (1) The Company and subsidiaries' aggregate amount of endorsement/guarantee for external entities shall not exceed 50% of the Company's net worth. The maximum endorsement/guarantee for a single entity shall not exceed 20% of the Company's net worth.
- (2) According to the rules above, the maximum amount of aggregate endorsement/guarantee provided by the Company and subsidiaries was the net worth of $10,011,118 \times 50\% = 5,005,559$ and the maximum endorsement/guarantee for a single entity was the net worth of $10,011,118 \times 20\% = 2,002,224$ for the year ended December 31, 2021.

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

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

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

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

Table III

(In Thousands of Shares / New Taiwan Dollars)

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

(Continued on the next page)

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

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

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

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

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

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

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

(6): Other related parties.

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

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

Shinkong Textile Co., Ltd.

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

2021

Table IV

(In Thousands of New Taiwan Dollars)

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

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

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

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

Shinkong Textile Co., Ltd.
Names, locations, and other information of investees
2021

Table V

(In Thousands of Shares / New Taiwan Dollars)

Investor	Investee	Location	Principal Business Activities	Initial Investment Amount		Ending Balance			Current gain (loss) of the investee company during the period	Investment profit or loss recognized in the current period	Note
				Ending Balance	End of Last Year	Number of shares	Percentage of Ownership (%)	Carrying amount			
Shinkong Textile Co., Ltd.	Shinkong Asset Management Co., Ltd.	F15, No. 44, Section 2, Zhonghan N Road, Zhongshan District, Taipei	Reinvestment in a wide range of businesses, including manufacturing, banking, insurance, recreation, securities, trading, general merchandises, cultural undertakings and the construction of commercial buildings and public housing units.	\$ 664,719	\$ 664,719	25,490	100.00	\$ 1,659,423	\$ 51,917	\$ 51,113	Note 1. Subsidiaries
"	Lian Quan Investment Co., Ltd.	F6, No. 44, Section 2, Zhonghan N Road, Zhongshan District, Taipei	Reinvestment in a wide range of businesses, including manufacturing, banking, insurance, recreation, securities, trading, general merchandises, cultural undertakings and the construction of commercial buildings and public housing units.	83,113	83,113	11,192	48.89	384,759	18,465	9,028	
"	SK INNOVATION CO., LTD.	Portcullis Trust Net Chambzs, P.O. Box 1225, Apia, Samoa	Investment	21,424	21,424	700	100.00	10,635	(687)	(687)	Subsidiaries
"	Shang De Motor Co., Ltd.	No. 518, Zhongzheng Rd., Xinzhuang Dist., New Taipei City 242048, Taiwan (R.O.C.)	Trading and maintenance of motor vehicles and trading of auto parts	269,699	269,699	9,715	33.5	278,104	83,356	27,924	
"	WPI-High Street LLC	5190 Campus Dr., Newport Beach, CA 92660	Investment	65,885	56,220	-	35.71	42,388	25,376	9,061	
Shinkong Asset Management Co., Ltd.	Xin Fu Development Co., Ltd.	F15, No. 44, Section 2, Zhonghan N Road, Zhongshan District, Taipei	Development and rental of housing, building and industrial factory, and development of specific areas	764,862	764,862	20,000	100.00	768,821	2,263	2,206	Sub-subsidiaries

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

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

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

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

Table VI

(In Thousands of New Taiwan Dollars; Foreign Currencies)

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

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

- (1) Direct investment in Mainland China.
- (2)-(1) Reinvesting in the Mainland through SK INNOVATION CO., LTD. in the third area.
- (2)-(2) Reinvesting in the Mainland through Shanghai Xin Ying Trading Co., Ltd.
- (3) Other methods.

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

- (1) If the company is in preparation status without investment profit (loss), it shall be remarked.
- (2) Indicate if investment gain (loss) is recognized on one of the following bases:
 - A. Financial statements audited by international accounting firms cooperating with accounting firms in the Republic of China.
 - B. Financial statements audited by the parent company's CPAs in Taiwan.
 - C. Others (financial statements for the same periods prepared by above investees).

Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2021	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA
\$ 21,362	\$ 1,000 USD 27,680 TWD	\$ 6,006,671

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

Table VII

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

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

STATEMENTS OF MAJOR ACCOUNTING SUBJECTS

<u>ITEM</u>	<u>CODE / INDEX</u>
Major Accounting Items in Assets, Liabilities and Equity	
STATEMENT OF CASH AND CASH EQUIVALENTS	Statement I
Statement of Financial assets at fair value through profit or loss - current	Statement II
Financial assets at fair value through other comprehensive income - current statement	Statement III
Statement of Notes Receivable	Statement IV
Statement of Trade Receivable	Statement V
Statement of Other Receivable	Statement VI
Statement of Inventories	Statement VII
Prepayment statement	Statement VIII
Financial assets at fair value through other comprehensive income - non-current statement	Statement IX
Statement of Financial assets at amortized cost - non-current	Note 9
Statement of Changes in Investments accounted for using the equity method	Statement X
Statement of Changes in Property, Plant and Equipment	Note 13
Statement of Changes in Accumulated Depreciation of Property, Plant and Equipment	Note 13
Statement of Changes in Investment Properties	Note 15
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STATEMENT OF CHANGES IN RIGHT-OF-USE ASSETS	Statement XI
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STATEMENT OF CHANGES IN INTANGIBLE ASSETS	Note 16
Statement of Changes in Deferred Income Tax Assets	Note 25
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Statement of Short-term borrowings	Statement XIII
Schedule of Short-term Notes Payable	Note 18
Statement of Notes Payable	Statement XIV
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Statement of Profit or Loss Items	
Statement of Operating Income	Statement XVII
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STATEMENT OF OPERATING EXPENSES	Statement XIX
Statement of OTHER OPERATING INCOME AND EXPENSES	Note 14
Schedule of Finance Costs	Note 25
Summary of Employee Benefits, Depreciation, Depletion and Amortization Expenses Incurred in the Current Period by Function	Statement XX

Shinkong Textile Co., Ltd.
STATEMENT OF CASH AND CASH EQUIVALENTS

December 31, 2021

Statement I

(In Thousands of New Taiwan Dollars)

<u>Item</u>	<u>Summary</u>	<u>Amount</u>
Cash on hand		\$ 893
Checking deposit		95,583
Demand deposit		127,479
Foreign currency deposits	Including US\$18,108 thousand@27.68, EU\$490 thousand@31.32, BP\$86 thousand@37.30, RMB97 thousand @4.344, JPY 781 thousand @0.2405	<u>522,891</u>
		<u>\$ 746,846</u>

Shinkong Textile Co., Ltd.
Statement of Financial assets at fair value through profit or loss - current
December 31, 2021

Statement II

(In Thousands of New Taiwan Dollars)

Name of financial instruments	Summary	Number of Shares (In thousand shares/ thousand units)	Face value (NT\$)	Fair value	
				Unit price (NT\$)	Total
Stocks - listed on TWSE or TPEX	Asia Pacific Telecom Co., Ltd.	524	10	\$ 8.22	\$ 4,310
	TacBright Corporation Optronics	5,000	10	8.11	<u>40,550</u>
Beneficiary certificates	Grandway Multi-Strategy Fund	63	-	813.78	<u>44,860</u> 51,506
	Yuanta/P-shares Taiwan Top 50 ETF	523	-	145.50	<u>76,096</u>
					<u>127,602</u>
					<u>\$ 172,462</u>

Shinkong Textile Co., Ltd.

Financial assets at fair value through other comprehensive income - current statement

December 31, 2021

Statement III

(In Thousands of New Taiwan Dollars)

Name of financial instruments	Summary	Number of Shares (In thousand shares/ thousand units)	Face value (NT\$)	Fair value	
				Unit price (NT\$)	Total
Stocks - listed on TWSE or TPEX	Chyang Sheng Dyeing & Finishing Co., Ltd.	31,321	10	\$14.20	\$ 444,752
	Shinkong Synthetic Fibers Corporation	56,104	10	20.20	1,133,306
	Taishin Financial Holding Co., Ltd.	7,146	10	18.95	135,423
	Shin Kong Financial Holding	4,609	10	11.05	<u>50,928</u>
					<u>\$1,764,409</u>

Shinkong Textile Co., Ltd.
Statement of Notes Receivable
December 31, 2021

Statement IV (In Thousands of New Taiwan Dollars)

Name of client	Summary	Amount
Related party		
Related party in substance		\$ 10
Non-related party		
Jung Cheng	Loans	20,807
Full-Zone	"	3,313
Other (Note)	"	5,554
		\$ 29,684

Note: The balance of each client does not exceed 5% of the balance of this account.

Shinkong Textile Co., Ltd.
Statement of Trade Receivable
December 31, 2021

Statement V (In Thousands of New Taiwan Dollars)

Name of client	Summary	Amount
Related party		
Shinkong Mitsukoshi	Loans	\$ 40,397
Department Store Co., Ltd.		
Other (Note)	"	<u>4,303</u>
		<u>44,700</u>
Non-related party		
YOUNGONE(CEPZ)	Loans	35,002
TAN DE	"	32,004
SINTEX	"	24,165
Other (Note)	"	265,901
Less: loss allowance		(<u>1,302</u>)
		<u>355,770</u>
		<u>\$ 400,470</u>

Note: The balance of each client does not exceed 5% of the balance of this account.

Shinkong Textile Co., Ltd.
Statement of Other Receivable
December 31, 2021

Statement VI

(In Thousands of New Taiwan Dollars)

<u>Item</u>	<u>Summary</u>	<u>Amount</u>
Related party		
Xin Fu	Nature of	\$ 73,324
Development		
Receivable income	Tax receivable related to new asset management	9,054
Other (Note)		<u>4</u>
		<u>82,382</u>
Non-related party		
Other receivables	Others	95
Tax refunds receivable	Business tax	<u>19,069</u>
		<u>19,164</u>
		<u>\$ 101,546</u>

Note: The balance of each client does not exceed 5% of the balance of this account.

Shinkong Textile Co., Ltd.

Statement of Inventories

December 31, 2021

Statement VII

(In Thousands of New Taiwan Dollars)

Item	Summary	Cost	Net realizable value
Merchandise inventories	Garments	\$ 189,163	\$ 207,663
Materials	Yarns, silk fabric	135,460	136,000
Supplies		14,508	14,508
Work in progress	Yarns, silk fabric	180,444	180,444
Finished goods	Cloth	<u>237,251</u>	<u>237,251</u>
		<u>\$ 756,826</u>	<u>\$ 775,866</u>

Shinkong Textile Co., Ltd.

Prepayment statement

December 31, 2021

Statement VIII

(In Thousands of New Taiwan Dollars)

Item	Summary	Amount
Prepaid expenses	Design fee	\$ 8,492
	Other (Note)	<u>4,940</u>
		<u>13,432</u>
Prepayments to suppliers		44,509
Prepayments for investments	CYS Investment Co., Ltd.	<u>100,000</u>
		<u>\$ 157,941</u>

Note: The balance of each client does not exceed 5% of this account.

Shinkong Textile Co., Ltd.

Financial assets at fair value through other comprehensive income - non-current statement

January 1 to December 31, 2021

Statement IX

(In Thousands of New Taiwan Dollars)

	Beginning balance		Increase During the Period		Reclassification for the period		Decrease During the Period		Ending Balance			Provision of collateral or Pledge Provided
	Number of Shares (In Thousand Shares)	Amount	Number of Shares (In Thousand Shares)	Amount	Number of Shares (In Thousand Shares)	Amount	Number of Shares (In Thousand Shares)	Amount	Number of Shares (In Thousand Shares)	Percentage of Ownership (%)	Amount	
Financial assets at fair value through other comprehensive income - non-current												
TWSE/TPEX Listed Companies												
The Great Taipei Gas Corporation	10,738	\$ 368,314	-	\$ -	-	\$ -	-	\$ 11,812	10,738	2.08	\$ 356,502	None
SHINKONG Insurance	51,540	1,992,003	-	456,125	-	-	-	-	51,540	16.31	2,448,128	See note 32
O-BANK	10,385	71,966	-	11,112	-	-	-	-	10,385	0.34	83,078	None
Xintec Technology	141	25,873	-	-	-	-	-	5,710	141	0.05	20,163	"
TAISHIN FINANCIAL HOLDING CO., LTD	228	11,997	-	114	-	-	-	-	228	0.03	12,111	"
TAISHIN FINANCIAL HOLDING CO., LTD (second)	137	<u>7,023</u>	-	<u>68</u>	-	<u>-</u>	-	<u>-</u>	137	0.05	<u>7,091</u>	
		<u>2,477,176</u>		<u>467,419</u>		<u>-</u>		<u>17,522</u>			<u>2,927,073</u>	
Non-publicly traded company												
Shin Kong Mitsukoshi	41,275	1,316,687	-	-	-	-	-	62,326	41,275	3.31	1,254,361	See note 32
Shin Kong Recreation Co., Ltd.	650	202,830	-	17,289	-	-	-	-	650	3.32	220,119	None
Tong Hsin Water Business Inc.	2,478	28,454	-	-	-	-	496	5,691	1,982	9.83	22,763	"
TAIAN Insurance	2,049	46,032	-	13,870	-	-	-	-	2,049	0.69	59,902	"
Shin Kong Mega	200	33,229	-	-	-	-	-	438	200	2.22	32,791	"
Eastern Ads	-	316	-	-	-	-	-	32	-	0.90	284	"
PS Venture	301	1,905	-	-	-	-	226	1,793	75	0.71	112	"
Global Securities Finance	98	979	-	-	-	-	-	-	98	0.53	979	"
LY Venture	209	1,534	-	1,998	-	-	-	-	209	1.79	3,532	"
Taiwan Zeniya Interior Design Co., Ltd.	-	14,827	-	785	-	-	-	-	-	8.00	15,612	"
WK Technology Fund	435	5,454	-	-	-	-	413	5,241	22	2.18	213	"
KHL IB Venture Capital	3,011	81,015	-	-	-	-	522	32,549	2,489	2.98	48,466	"
IRSO Precision	1,000	5,857	-	-	-	-	-	2,716	1,000	4.93	3,141	"
Mega Solar Energy	-	-	1,000	<u>10,000</u>	-	<u>-</u>	-	<u>-</u>	1,000	1.25	<u>10,000</u>	"
		<u>1,739,119</u>		<u>43,942</u>		<u>-</u>		<u>110,786</u>			<u>1,672,275</u>	
		<u>\$4,216,295</u>		<u>\$ 511,361</u>		<u>\$ -</u>		<u>\$ 128,308</u>			<u>\$4,599,348</u>	

Shinkong Textile Co., Ltd.
Statement of Changes in Investments accounted for using the equity method
January 1 to December 31, 2021

Statement X

(In Thousands of New Taiwan Dollars)

	Beginning balance		Increase During the Period (Note 1)		Decrease During the Period (Note 2)		Investment Profit (Loss)	E n d i n g B a l a n c e			
	Number of Shares (In Thousand Shares)	Amount	Number of Shares (In Thousand Shares)	Amount	Number of Shares (In Thousand Shares)	Amount		Number of Shares (In Thousand Shares)	Percentage of Ownership (%)	Amount	Provision of collateral or Pledge Provided
Long-term investment in shares accounted for using the equity method											
Non-publicly traded company											
Shinkong Asset Management Co., Ltd.	25,490	\$1,638,340	-	\$ 8,634	-	\$ 25,490	\$ 51,113	25,490		\$1,672,597	None
LQ Investment	11,192	364,139	-	11,592	-	-	9,028	11,192		384,759	"
SK INNOVATION CO., LTD.	700	11,402	-	-	-	80	(687)	700		10,635	"
Shang De	9,715	264,006	-	-	-	13,826	27,924	9,715		278,104	"
WPI-High Street LLC	-	67,541	-	9,665	-	43,879	9,061	-		42,388	"
Less: transferred treasury stock		(13,174)		-		-	-			(13,174)	
		<u>\$2,332,254</u>		<u>\$ 29,891</u>		<u>\$ 83,275</u>	<u>\$ 96,439</u>			<u>\$2,375,309</u>	

Note 1: The details of increase for the current period are as follows:

I n c r e a s e	A m o u n t
Distribution of dividends to subsidiaries	\$ 804
Unrealized profit and loss of financial assets	19,422
Capital increase	9,665
	<u>\$ 29,891</u>

Note 2: The details of decrease for the current period are as follows:

D e c r e a s e	A m o u n t
Acquired dividends from subsidiaries and affiliated enterprises	(\$ 47,797)
Unrealized profit and loss of financial assets	(33,454)
Exchange differences on translating the financial statements of foreign operations	(2,024)
	<u>(\$ 83,275)</u>

Shinkong Textile Co., Ltd.
STATEMENT OF CHANGES IN RIGHT-OF-USE ASSETS
December 31, 2021

Statement XI (In Thousands of New Taiwan Dollars)

Item	Beginning balance	Increase During the Period	Decrease During the Period	Ending Balance
Buildings and structures	\$158,449	\$112,036	(\$ 24,554)	\$245,931
Transportation Equipment	6,115	2,969	(828)	8,256
Office equipment	969	458	(243)	1,184
Other equipment	<u>1,331</u>	<u>-</u>	<u>-</u>	<u>1,331</u>
	<u>\$166,864</u>	<u>\$115,463</u>	<u>(\$ 25,625)</u>	<u>\$256,702</u>

Shinkong Textile Co., Ltd.

Statement of Changes in Accumulated Depreciation of Right-of-use Assets

December 31, 2021

Statement XII

(In Thousands of New Taiwan Dollars)

Item	Beginning balance	Increase During the Period	Decrease During the Period	Ending Balance
Buildings and structures	\$ 65,636	\$ 38,056	(\$ 1,313)	\$102,379
Transportation Equipment	4,317	2,136	(828)	5,625
Office equipment	519	289	(229)	579
Other equipment	<u>779</u>	<u>390</u>	<u>-</u>	<u>1,169</u>
	<u>\$ 71,251</u>	<u>\$ 40,871</u>	<u>(\$ 2,370)</u>	<u>\$109,752</u>

Shinkong Textile Co., Ltd.
Statement of Short-term borrowings
December 31, 2021

Statement XIII

(In Thousands of New Taiwan Dollars)

Creditor	Type of loans	Ending Balance	Term of the agreement	Interest rate interval (%)	Line of credit	Collaterals or guarantees
Wuchang Branch, Bank of Taiwan	Mortgage loan	\$ 570,000	Oct 21, 2021 - March 16, 2022	0.90	\$ 1,350,000	See note 32
Cathay United Bank Guanqian Branch	Mortgage loan	910,000	Dec 16, 2021 - March 16, 2022	0.85-0.93	1,360,000	"
Taishin Bank Corporate Banking Office	Mortgage loan	200,000	Dec 16, 2021 - Feb 14, 2022	0.95	200,000	"
Bank Sino Pac Xisong Branch	Credit borrowings	<u>200,000</u>	Nov 19, 2021 - Feb 18, 2022	0.92	<u>200,000</u>	None
		<u>\$ 1,880,000</u>			<u>\$ 3,110,000</u>	

Shinkong Textile Co., Ltd.
Statement of Notes Payable
December 31, 2021

Statement XIV (In Thousands of New Taiwan Dollars)

Name of client	Summary	Amount
Related party		
Chyang Sheng	Insurance expenses etc.	\$ 30,622
Substantial related party (Note)	"	7,718
Non-related party		
Yong Sheng	Loans	70,029
Other (Note)		187,376
		\$ 295,745

Note: The balance of each client does not exceed 5% of this account.

Shinkong Textile Co., Ltd.
Statement of Accounts Payable
December 31, 2021

Statement XV

(In Thousands of New Taiwan Dollars)

<u>Name of client</u>	<u>Summary</u>	<u>Amount</u>
Related party		
Chyang Sheng	Loans	\$ 6,724
Substantial related party (Note)	"	929
Non-related party		
Yong Sheng	Loans	7,949
Leica Taiwan	"	7,338
He Xing	"	5,942
Other (Note)		<u>76,109</u>
		<u>\$ 104,991</u>

Note: The balance of each client does not exceed 5% of this account.

Shinkong Textile Co., Ltd.
Statement of Lease liabilities
December 31, 2021

Statement XVI (In Thousands of New Taiwan Dollars)

<u>Item</u>	<u>Lease term</u>	<u>Discount rate</u>	<u>Ending Balance</u>
Buildings and structures	Feb 11, 2014-Oct 31, 2027	0.946%-1.008%	\$ 147,972
Transportation Equipment	106.7.9-113.11.30	0.915%-1.008%	2,791
Office equipment	Jan 1, 2017- July 31, 2026	0.934%-1.008%	304
Other equipment	Jun 1, 2017 - May 31, 2022	1.008%	<u>29</u>
			151,096
Less: Current portion of lease liabilities			(<u>46,002</u>)
			<u>\$ 105,094</u>

Shinkong Textile Co., Ltd.
Statement of Operating Income
2021

Statement XVII

(In Thousands of New Taiwan Dollars)

<u>Item</u>	<u>Summary</u>	<u>Amount</u>
Total sales revenue		
Textile products		\$ 1,770,919
Brand agent sales		<u>658,407</u>
		2,429,326
Less: sales return and discount		(<u>31,027</u>)
Sales revenue, net		2,398,299
Rental revenue	Rent from Wuling Financial Building and Taoyuan Yarn Plant etc.	153,946
Other operating revenue	Royalties and special sales	<u>604</u>
		<u>\$ 2,552,849</u>

Shinkong Textile Co., Ltd.
Statement of Operating costs
2021

Statement XVIII

(In Thousands of New Taiwan Dollars)

Item	Amount
Direct raw material consumption	
Direct raw material at the beginning	\$ 66,447
Add: Materials purchased in the period	445,518
Transferred from work-in-progress	216,693
Transferred from finished products	4,862
Less: transferred expense	(182)
Sale of materials	(25,497)
Direct raw material at the ending	(<u>144,683</u>)
	<u>563,158</u>
Indirect raw material consumption	
Beginning supplies	13,834
Add: Materials purchased in the period	81,350
Less: transferred expense	(77,697)
Sales of supplies	(11)
Ending supplies	(<u>14,678</u>)
	<u>2,798</u>
Direct labor	74,059
Manufacturing overheads	357,767
Subcontract processing expenses	<u>455,936</u>
Manufacturing costs	<u>1,453,718</u>
Work-in-process, beginning	61,972
Add: Transferred from finished products	1,112,069
Less: Work-in-progress to material	(216,693)
Work-in-progress to product	(54,071)
Work-in-process, ending	(<u>180,444</u>)
Work-in-process costs	<u>2,176,551</u>
Beginning inventory of finished goods	223,411
Add: Materials purchased in the period	557,440
Less: transferred expense	(6,155)
Finished product to work-in-progress	(1,112,069)
Work-in-progress to material	(4,862)
Losses	(428)
Closing inventory of finished goods	(<u>296,455</u>)
Cost of goods sold	<u>1,537,433</u>

(Continued on the next page)

(Continued from the previous page)

<u>Item</u>	<u>Amount</u>
Sale of merchandise	
Opening inventory	228,499
Add: purchased product	355,626
Transferred from work-in-progress	54,071
Less: Losses	(11)
Transferred to operating expenses	(5,597)
End inventory	(<u>247,170</u>)
Product sales cost	<u>385,418</u>
Other operating cost	
Inventory write-down	(21,024)
Inventories loss	439
Scrap sales	(404)
Sales of materials and supplies	25,508
Others	<u>2,964</u>
	<u>7,483</u>
Rental costs	<u>42,260</u>
	<u>\$ 1,972,594</u>

Shinkong Textile Co., Ltd.
 STATEMENT OF OPERATING EXPENSES
 December 31, 2021

Statement XIX

Unit: In thousands of NT\$,
 Unless Stated Otherwise

Item	Selling and marketing	General and administrative	R&D expenses	Total
Payroll expenses	\$145,612	\$ 64,211	\$ 13,144	\$222,967
Depreciation	13,735	18,206	773	32,714
Other expenses (Note)	<u>167,422</u>	<u>25,884</u>	<u>12,024</u>	<u>205,330</u>
	<u>\$326,769</u>	<u>\$108,301</u>	<u>\$ 25,941</u>	<u>\$461,011</u>

Note: The balance of each client does not exceed 5% of the balance of this account.

Shinkong Textile Co., Ltd.

SUMMARY STATEMENT OF EMPLOYEE BENEFITS, DEPRECIATION, DEPLETION, AND AMORTIZATION EXPENSES BY FUNCTION

2021

Statement XX

(In Thousands of New Taiwan Dollars)

	2021			2020		
	Operation costs	Operation Expenses	Total	Operation costs	Operation Expenses	Total
Employee benefit expense						
Salaries	\$ 136,613	\$ 199,834	\$ 336,447	\$ 105,818	\$ 178,192	\$ 284,010
Labor insurance and National Health Insurance expense	12,331	18,426	30,757	10,896	16,642	27,538
Pension expense	4,221	12,265	16,486	3,667	8,332	11,999
Directors' Remuneration	-	10,868	10,868	-	8,632	8,632
Other employee benefits	5,359	7,891	13,250	4,322	7,425	11,747
Total employee benefit expense	<u>\$ 158,524</u>	<u>\$ 249,284</u>	<u>\$ 407,808</u>	<u>\$ 124,703</u>	<u>\$ 219,223</u>	<u>\$ 343,926</u>
Depreciation	<u>\$ 80,640</u>	<u>\$ 32,714</u>	<u>\$ 113,354</u>	<u>\$ 83,021</u>	<u>\$ 38,397</u>	<u>\$ 121,418</u>
Amortization	<u>\$ 407</u>	<u>\$ 1,445</u>	<u>\$ 1,852</u>	<u>\$ 299</u>	<u>\$ 1,269</u>	<u>\$ 1,568</u>

Remarks:

1. The number of employees for the current year and the previous year was 506 and 489, respectively, among which the number of directors who were not employees was 5 and 4, respectively.
2. For companies whose shares are listed on the TWSE/TPEX, the following information should also be additionally disclosed:
 - (1) The average employee benefits expenses were \$792 thousand for the year. ($[\text{Total employee benefit expenses for the current year} - \text{Total directors' remuneration}] / [\text{Number of employees for the current year} - \text{Number of directors who do not serve as employees}]$)
The average employee benefits expenses were \$691 thousand for the prior year. ($[\text{Total employee benefit expenses for the previous year} - \text{Total directors' remuneration}] / [\text{Number of employees for the previous year} - \text{Number of directors who do not serve as employees}]$).
 - (2) The average employees' salary expenses were \$672 thousand for the year. ($\text{Total employee salary expenses for the current year} / [\text{Number of employees for the current year} - \text{Number of directors who do not serve as employees}]$).
The average employee benefits expenses were \$586 thousand for the prior year. ($[\text{Total employee benefit expenses for the previous year} - \text{Total directors' remuneration}] / [\text{Number of employees for the previous year} - \text{Number of directors who do not serve as employees}]$).
 - (3) The change in the average employees' salary expenses was 14.7%. ($[\text{The average employee salary expense for the current year} - \text{The average employee salary expense for the previous year}] / \text{The average employee salary expense for the previous year}$).
 - (4) The company has established an audit committee, and the remuneration of independent directors has been incorporated into the remuneration of directors to be disclosed
 - (5) The company's compensation and remuneration policies (including directors, managers and employees) are as follows:
 - A. Directors and Independent Directors:

(a) Fixed income: In accordance with Article 16 of Articles of Incorporation, the Company shall pay directors' salary for their duties performed regardless of profit or loss of the Company. The Board of Directors is authorized to determine upon the remunerations for Directors according to their participation in and the value of their contribution to the Company operation and with reference to the common remuneration level in the industry.

(b) Income from changes: Pursuant to Article 27 of the Articles of Incorporation, the Company shall allocate no less than one percent as the remuneration for employees and no more than five percent as the remuneration for Directors, if there's balance after deducting accumulated losses from the earnings of current year (i.e. the earnings before deducting the remuneration for employees, Directors and Supervisors from the earnings before tax).

Independent directors shall not participate in the distribution of directors' remuneration referred to in Article 27 of the Articles of Incorporation.

B. Managerial officers: remuneration is determined based on position, responsibility, departmental performance and contribution to the overall operation of the Company.

C. Employees: the salary is subject to the job function, work intensity and professional skills and by reference to the Company's employee salary management measures and employee appointment and promotion management measures.

D. The remuneration of directors and managers shall be regularly evaluated and reviewed by the Remuneration Committee of the Company and then submitted to the board of directors for approval and resolution.