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2022 Annual Report

Tung Ho Textile Co., Ltd.

March 15, 2023

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VI. Overseas Securities Exchange

None

Disclaimer

*Please note that this English annual report is not a word-for-word translation of the Chinese version.
In the event of any variance, the Chinese text shall prevail*

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Chapter 1. Letter to Shareholders

I. 2022 Business Report

(I) Overview of the Textile Industry

1. Short Fiber Market Condition of Taiwan:

(1) As for the staple market scale, the current number of spinning spindles in Taiwan is about 550,000 and the number of actually operated spindles is about 330,000.

(2) The conditions and overall operations in the first and second half of 2022 are different. In the first half of 2022, the overall shipment volume retained high in that foreign brand customers placed considerable orders in the second half of 2021 due to concerns about soaring freight rates and port closures. However, with the outbreak of the Russia-Ukrainian War at the end of February 2022, the global political and economic landscape was affected constantly, and prices of international commodities such as crude oil, grains, cotton, and metals surged, resulting in the increasing cost of imported raw materials and higher pressure on global inflation. Governments around the world have announced interest rate hikes to curb inflation in succession, but the effects have not been prominent. Therefore, the end-consumers' demands were greatly weakened, poor brand sales were caused, and inventory was increasingly accumulated, affecting the willingness of brands to place subsequent orders. As a result, the volume of orders and shipments in the second half of 2022 decreased by about 30% to 40% from 2021 and the first half of 2022.

2. Predict future development tendency:

Due to impacts on supply chain of the pandemic in recent years, in the post- pandemic era, the textile industry has been confronted with greater challenges. As supply chain of production lines has been influenced by the pandemic in recent years, it is indicated that Taiwan's textile industry

still needs to continuously make changes in the post-pandemic era. The EU has proposed three major production directions for textiles: 1. durability and recycling; 2. continuously recyclable materials; 3. the contemplation of unmarketable brands, which manifests that the "fast fashion" of clothing in the past has indeed yielded great pressure and change to the environment, and that the textile industry will be bound to move towards these three major production directions in the future.

(II) Product mix optimization: continuous growth of the sales share of special yarns in the turnover

The Company still needs to strengthen R&D and collect relevant market information to develop differentiated functional yarns and continue to orient towards environmental sustainability. In addition, issues such as energy conservation, carbon reduction, and recycling of textile waste will be the focus of future development.

Unit: NT\$ thousand

Actual production volume of general/special yarns and estimated volume for 2023						
	2021		2022		2023 (estimate)	
	Production volume	%	Production volume	%	Production volume	%
General yarn	206,764	35%	212,219	35%	202,173	44%
Special yarn	388,562	65%	400,332	65%	251,570	56%
Total	595,326	100%	612,551	100%	453,743	100%

Actual sales volume of general/special yarns and estimated sales for 2023						
	2021		2022		2023 (estimate)	
	Sales volume	%	Sales volume	%	Sales volume	%
General yarn	213,271	31%	156,246	28%	124,276	32%
Special yarn	475,830	69%	404,737	72%	263,002	68%
Total	689,101	100%	560,983	100%	387,278	100%

(III) Research and development status of products in the textile industry:

1. Development of special raw materials:

In recent years, the issue of green recycling economy has been heated. Environmental protection, recycling and reuse of textiles, and low-carbon functional products will be under active development of the Company in the future. The Company persistently develops textiles made of miscellaneous yarns that can be recycled and reused before/after consumption, dedicated to promoting environmentally friendly and sustainable products with low pollution.

2. Development of conjugated filament and staple yarns:

Conjugated filament and staple yarns are still the trend of the future market. The Company will continue to develop combinations of various conjugated filament and staple yarns, as well as changes in different patterns and yarn structures, to create differentiated and highly value-added products.

3. International brand partners:

According to demands of international brand customers, the R&D team makes appropriate combinations based on features of miscellaneous raw materials, and develops new products with unique production configurations and optimized process.

(IV) Analysis of 2022 Business Condition, Debt Paying Ability and Profitability

2022 business condition:

Unit: NT\$ thousand

Item	2022	2021	Increase (decrease) amount	Increase (decrease) %
Net Sales	688,943	809,714	(120,771)	(14.92)%
Gross Profit	165,799	184,817	(19,018)	(10.29)%
Profit for the year	104,362	142,503	(38,141)	(26.77)%
Earnings per Share after Tax (TWD)	0.47	0.65	(0.18)	(27.69)%
Earnings Per Share (TWD)	14.11	14.61	(0.50)	(3.42)%

1. Analysis of the debt paying ability

Current ratio	:	167.27%
Quick ratio	:	91.30%
2. Analysis of the profitability

Return on assets	:	2.42%
Return on shareholders' equity	:	3.30%
Net profit ratio	:	15.15%

(V) Asset investment and development

1. Strengthen the management of the rental area of the mass-market store in Rende District:
Environmental optimization, land management, communication with tenants, etc.
2. Solar power generation equipment
The annual generating capacity of solar power units in Mattau District and Rende District can reach 3,500,000 KWH, which can reduce 1,800 tons of carbon emission each year based on the standard that 509g CO₂ is generated in the coal-fired power generation of 1 KWH, not only responding to the government's environmental protection policy but bringing extra income of about NT\$ 1,500,000 to the Company each month.
3. Land lease activated assets:
Land of the industrial area in Mattau District: Office rezoning is completed, and the new land number has been obtained in April 2021. As the large-scale investment plan of Southern Taiwan Science Park drives the willingness of high-tech supply chain to set factories, with convenient transportation, living facilities in the Mattau Interchange area have been improved, and manufacturers have continued to negotiate over the lease of the land and establishment of factories.

(VI) ESG (Environmental, Social, Governance):

“Sustainable operation” is always the business philosophy of Tung Ho. The sustainable development of environmental protection, social responsibility, and corporate governance is the core of Tung Ho's strategy. The Company

continues to pay close attention to the market updates on ESG related sustainability topics, optimize manufacturing processes, use environmentally friendly raw materials, and respond to the needs of brands and the market. In 2022, the Company reorganized and established the "Corporate Sustainability Committee", set up corporate governance personnel to implement relevant plans corporate sustainability and actively and substantively invested in promoting projects and tasks related to environmental sustainability:

1. Environmental:

The World Economic Forum (WEF) released The Global Risks Report 2023 (hereinafter referred to as "GRR 2023") on January 11, 2023. Environmental risks account for six of the top ten risks in the next ten years, namely, "failure to mitigate climate change", "failure of climate change adaptation", "natural disasters and extreme weather events", "biodiversity loss and ecosystem collapse", "natural resource crises" and "large-scale environmental damage incidents". Compared to the top ten risks of last year (2022), in addition to the increase in projects and severity of environmental risks, this year has put emphasis on the significance of taking action to address climate change. Measures have been taken by the Company for this issue:

- (1) Our company has established solar power generation, which is estimated to save more than 1,800 tons of carbon emissions per year.
- (2) Our company cooperates with IBM in building an air conditioning energy saving control system, combines windmill and water pump as well as converters with the image control system, and uses the minimum energy to reach a suitable temperature and humidity at the textile operating site, and the total energy conservation rate can reach 62.75%.
- (3) The Company implements the ISO14067 product carbon footprint verification and conducts carbon emissions inventory for our environmental protection products. By making improvements on raw

materials, the Company reduces carbon emissions.

- (4) In the end of September 2021, it was planned to replace the energy consumption of the old centrifugal air compressor with a converter screw air compressor. The annual saving is 950,000 kWh and the carbon emission is reduced by 484 tons per year.
- (5) The Company introduces an energy management system to precisely manage electricity, identify improper heat sources, and improve sections with high carbon emission.

2. Social:

To take care of employees and their families, the Company provides comprehensive employee protection. In the "Corporate Social Responsibility Handbook", Tung Ho declares to protect human rights and support gender equality and diversity in the workplace. Tung Ho does not discriminate against anyone on the basis of race, class, politics, ideology, religion, place of origin, place of birth, gender, sexual orientation, age, family status, appearance, physical or mental disability, or previous union membership. We abide by the labor laws and regulations of local governments and do not employ child labor.

In order to provide employees a safe workplace and take care of their health, Tung Ho has a sound safety and health management system, implements safety and health education and training, promotes health activities, offers employee occupational safety and health consultation and participation, and makes every effort to prevent occupational disasters. The Company has completed the ISO45001 in January 2021: 2018 and CNS45001 update certification.

This year, the Company also strengthens education on protection in response to the newly passed "Law on Prevention of Stalking and Harassment", and provide monthly professional occupational safety consultation of work doctors in cooperation, as well as psychological counseling for employees in need; The Company have also added AED facilities in the factory area and conducted training on usage to improve

the safety of employees' work environment.

3. Governance:

The Company has established a corporate governance system. In addition to complying with the Articles of Association and relevant laws and regulations, in order to strengthen the functions of the board of directors, the Company has established a remuneration committee and an audit committee, appointed corporate governance officers, and provided directors with the information required for business operations, in accordance with the "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies". In order to protect the rights and interests of shareholders and stakeholders and to improve information transparency, the Company discloses financial, business, and corporate governance information on the Company's website and has set up a specific area for stakeholders as a communication channel with stakeholders.

II. 2023 Business Plan Summary:

Strengthen the function and depth of existing products and expand market sales of new products in response to the trend:

Develop high-quality yarns continuously to meet the needs of various industries. In-depth cultivation of environmentally friendly materials, home decoration fabrics, shoe materials, industrial fire protection, e-commerce, and functional fabrics; strengthen communication with customers; develop and implement conjugated filament and staple yarns.

1. Composite functional yarn: Multi-function raw materials, including moisture absorption and quick-drying, temperature control, antibacterial and deodorant, skin-friendly, moisturizing, etc. We design and develop high performance and durable functional yarns for customers, combining the advantages of siro spinning and compact spinning (COMPACT). Through high-end and diversified spinning processes, we assist Taiwanese fabric mills to create differentiated textiles that are

environmentally friendly, comfortable, and functional. Design various hang tags and registered trademarks for yarns with various functions so that customers can get them and our company's products can be sold at the market. Design various hang tags and registered trademarks for yarns with various functions so that customers can get them and our company's products can be sold at the market.

2. Recycled yarns from waste textiles: We practice total recycling of waste textiles, optimize spinning technology, and implement precise single-spindle management to successfully produce unique and sustainable special yarns and progressively achieve the goal of complete recycling. At the same time, through special and precise spinning conditions and management, we continue to improve gross profits of products and create added value for customers.
3. Conjugated filament and staple yarns: SiroWrap conjugated filament and staple yarn technology can use filament fibers, such as stretch yarn, fine denier, and polyester fiber, with cotton, tencel, modal, refibra, etc. to perfectly conjugate the strength and low hairiness of filament fibers with skin-friendly and comfortable staple fibers.

III. Future development strategy and impacts of external competitive environment, regulatory environment and overall business environment

Confronted with the general recession, we still need to make active response

Negative factors including the Russia-Ukrainian War, inflation, interest rate hikes, and the recurring pandemic have exposed the global economy and end-consumer markets to a virtually unprecedented recession, with consumer industries such as electronics and clothing bearing the brunt and suffering a severe impact. No one is sure how long this downturn will last. Faced with this difficult obstacle, we cannot have complaints and hold back. Instead, we must stand firm in beliefs and strive for self-reliance. With our persistent

efforts and perseverance, we expect the market can embrace gradual recovery as soon as possible. In terms of business side, we are more proactive in mining customers and exploring overseas markets, including industrial and medical markets that are unfamiliar to the Company. The primary goal of the factory side is to comprehensively improve quality, which can be regarded as the best salesperson. Especially in this period of extremely fierce competition among peers, only stable quality can guarantee sustainable and long-lasting orders. In the end, in terms of development side, we need to integrate the upstream, midstream, and downstream information continuously reflected by business with the new raw materials with special functions that the Company has successively purchased. Targeting the market demand and future trend, we have developed clusters of functional special yarns with unique characteristics and irreplaceable properties, which will serve as a major niche for the Company positioning in Taiwan's supply chain stably.

We have enhanced the establishment of a knowledge base and digital management

By integrating on-site system quality data, we set up a big data knowledge management platform. By achieving high-speed and accurate decision-making, we deploy core system command capabilities, and reduce waste and manpower. By doing so, we can also quickly analyze product quality, quickly debug errors, and configure production lines to improve production efficiency.

Chairman: Tsai,
Sui-Ying

Manager: Chang,
Chia-Heng

Accounting Kuo,
Manager: Yen-Liang

Chapter 2. Company Profile

I. Date of Incorporation

The Company was incorporated on September 11, 1959.

II. Company History

Established Tung Ho Dyeing and Weaving Works in 1953 with a registered capital of NT\$ 2,000,000.

Engaged in printing and dyeing processing business in 1954.

Increased spinning equipment in 1959, reorganized into company and increased the capital to NT\$ 22,000,000.

Incorporated into Dongfeng Textile in 1961, started to spin artificial fiber and natural fiber and increased the capital to NT\$ 42,000,000.

Expanded Xinshi Branch and Synthetic Fiber Works in 1971.

Increased the capital to NT\$ 450,000,000 in 1976.

Increased the capital to NT\$ 982,352,440 during the period from 1977 to 1982.

Established Madou factory in 1987.

Increased the capital to NT\$ 1,047,175,470 in 1988.

Increased the capital to NT\$1,717,336,230 in 1989.

Purchased approximately 61,500 pings of land for the Madou factory and began construction of the factory and installation of machinery in 1990; increased the capital to NT\$ 1,889,069,860, capital sum was NT\$ 2,400,000,000, including 240 million shares. Unissued shares were issued by the board several times upon commission.

The Madou factory commenced production; the paid-up stock was NT\$ 2,377,976,850 after capital increase in 1991.

The total capital amounted to NT\$3,600,000,000 in 1993, including 360 million shares.

The paid-up stock was NT\$2,377,976,850, including unissued shares issued by the board several times upon commission.

The paid-up stock was NT\$3,515,774,540 after capital increase in 1996

The Rende factory was closed and the transformation of the enterprise and asset revitalization began in 2001.

Signed a Rende factory land lease agreement with Test Rite International Co., Ltd. to set up B&Q large store; the paid-up stock was NT\$2,200,000,000 after the capital reduction in 2003.

In 2010, the company was renamed Tung Ho Textile Co., Ltd., Ltd., organic cotton yarn passed the certification of GOTS and OCS and the Fiber Department halted production.

In 2012, passed the certification of TOSHMS:2007 and OHSAS 18001:2007.

In 2016, successfully developed SIRO FUSE and obtained DRIRELEASE authorization.

In 2017, passed the certification of TTQS and GRS for environmental yarn.

In 2019, the R&D Center obtained the approval of the Ministry of Economic Affairs on A+ enterprise innovative R&D quenching plan program.

In 2021, passed the certification of ISO 45000:2018, ISO:2018, and ISO 9001-2015.

In 2022, organized its Corporate Sustainable Development Committee and kicked off carton footprint accounting and other carbon reduction projects, and passed the carton footprint of ISO 14067.

III. Company Profile

The Company is a public listed company registered at No. 227 Gongye Road, Madou District, Tainan City.

(I) Taipei office is located on 13F, No. 376, Section 4, Ren'ai Road, Da'an District, Taipei City.

(II) Spinnery is located at No. 227 Gongye Road, Madou District, Tainan City.

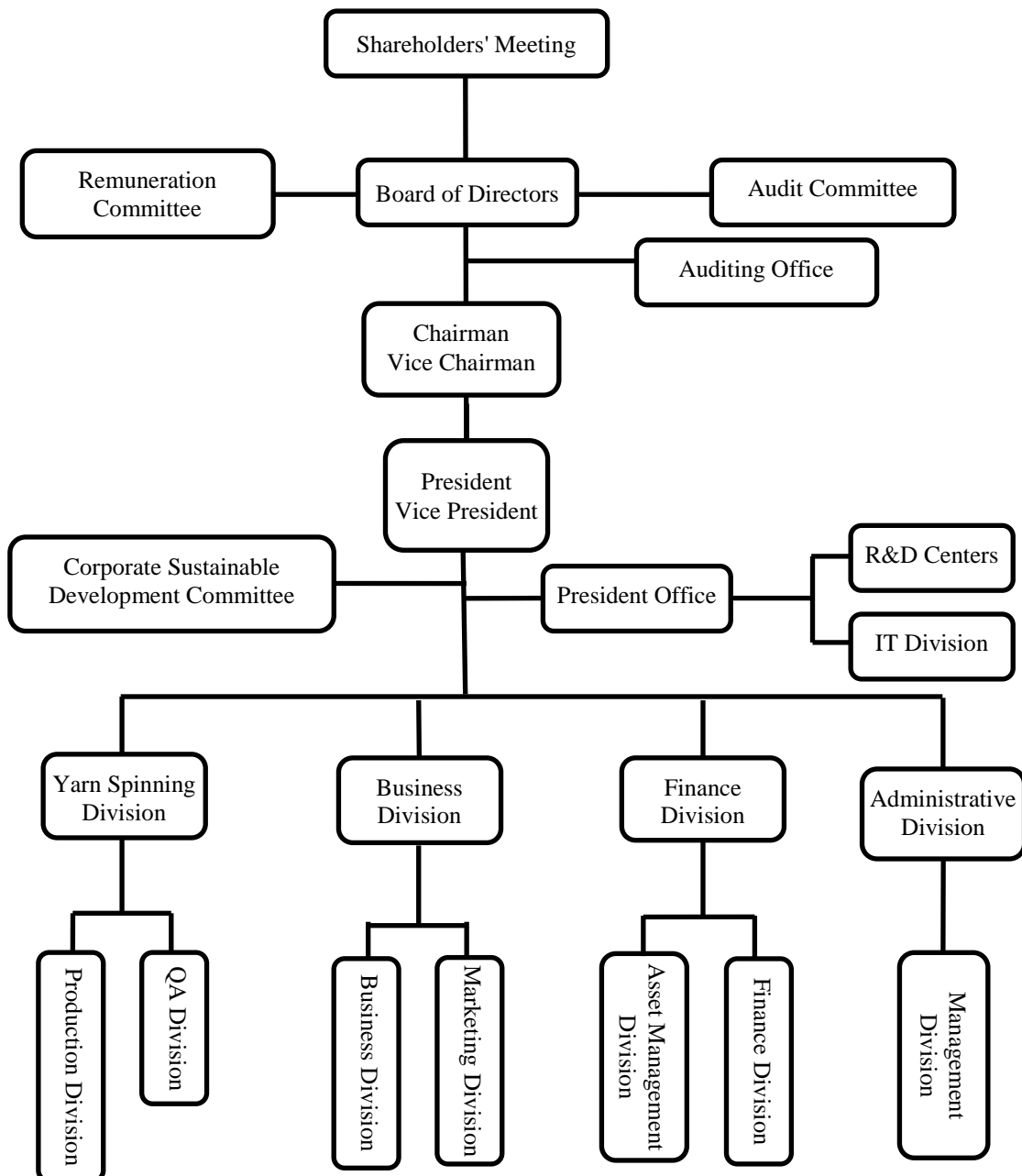
(III) Rende shopping place is located at Zhongshan Road, Rende District, Tainan City

Taroko Baseball Field (701#), Carrefour (711#), Life 1 (HOLA) (777#, 779#), B&Q (797#, 799#), Unified Seiko Gas Station (861#)

Chapter 3. Corporate Governance Report

I. Organization

(I) Organization Chart



(II) Department Functions

Department Name	Functions
Auditing Office	<ol style="list-style-type: none"> 1. Draft annual audit plan, inspect and review shortcomings of internal control systems and operating effect and efficiency according to annual audit plan and give suggestions for improvement timely 2. Review internal control reports on self-inspection of all units
Corporate Sustainable Development Committee	<ol style="list-style-type: none"> 1. Environmental certification system management and promotion 2. Climate change response strategies and project implementation 3. Corporate sustainability guidelines and project promotion
President Office	<ol style="list-style-type: none"> 1. Advice purchase of raw cotton and control cotton assorting 2. Monitor process quality and assist the Yarn Spinning Division in technical R&D 3. Develop and maintain information software system, build and maintain enterprise information safety and network, and maintain computer hard disk equipment and company website, etc. 4. Establish (revise) internal control systems
Finance Division	<ol style="list-style-type: none"> 1. Stock affairs and management 2. Legal consulting and examination 3. Maintenance of investor relations 4. Asset management, activation, property development 5. Corporate finance, accounting and investment plan management, with the organization's top executive also serving as corporate governance officer
Administrative Division	<ol style="list-style-type: none"> 1. HR planning and management, labor relations 2. Purchase of machine and material, supplier management and import customs 3. Factory management, safety and health and maintenance, etc. 4. Implementation of certification such as ISO in different factories 5. Management and control of warehousing and logistics, etc. 6. Shipment of finished products, storage and delivery management 7. MRP (material requirements planning) and inventory control
Business Division	<ol style="list-style-type: none"> 1. Customer development and service 2. Collection of industry-related product information, development and popularization of new products and purchase of relevant materials 3. After-sales service of company products, including tracking and customer complaint handling, etc. 4. Order acceptance and collection 5. Delivery and expediting of payment for goods 6. Coordination and arrangement of after-sales service
Yarn Spinning Division	<ol style="list-style-type: none"> 1. Implementation of production plan, scheduling and work order management 2. Maintenance and management of production equipment 3. Productivity analysis 4. Process quality control, process efficiency and quality improvement and technical R&D, etc. 5. Repair and maintenance of environmentally protective facilities for factory affairs

II. Information About Director, President, Vice President, Assistant Vice President, and Head of Department and Branch

(I) Information about directors (1-1)

March 15, 2023

Title	Nationality/Place of Registration	Name (corporate shareholder and legal representative is presented separately)	Gender Age	Date Elected	Term	Date First Elected	Shareholding When Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominees		Major Experience (Education)	Other Position Concurrently Held at the Company and Other Companies	Executives, Directors or Supervisors who Are Spouses or within the Second Degree of Kinship			Remarks
							Number of Shares	%	Number of Shares	%	Number of Shares	%	Number of Shares	%			Title	Name	Relationship	
Chairman	R.O.C.	YUH SHUEN INVESTMENT & DEVELOPMENT CO., LTD	Female 71-80	2022.06.17	2025.06.16	2010.05.25	28,000,626	12.73%	28,000,626	12.73%	None	None	None	None	Graduated from National Cheng Kung University	1. SHING HO INVESTMENT & DEVELOPMENT CO., LTD: Chairman 2. FENGTAR FULI INDUSTRY CO., LTD.: Chairman	Director	CHENG, CHIH-WEN	Mother and son	Note 2
		3,002,943					1.36%	3,002,943	1.36%	None	None	None	None							
Vice Chairman	R.O.C.	YUH SHUEN INVESTMENT & DEVELOPMENT CO., LTD	Male 41-50	2022.06.17	2025.06.16	2010.05.25	28,000,626	12.73%	28,000,626	12.73%	None	None	None	None	Doshisha University	None	Chairman	TSAI, SUI-YING	Mother and son	Note 2
		10,926,160					4.97%	10,926,160	4.97%	None	None	None	None							
Director	R.O.C.	YUH SHUEN INVESTMENT & DEVELOPMENT CO., LTD	Male 71-80	2022.06.17	2025.06.16	2010.05.25	28,000,626	12.73%	28,000,626	12.73%	None	None	None	None	Graduated from National Cheng Kung University	Aesop Co., Ltd.: Director	None	None	None	
		None					None	None	None	None	None	None	None							
Director	R.O.C.	YUH SHUEN INVESTMENT & DEVELOPMENT CO., LTD	Male 61-70	2022.06.17	2025.06.16	2014.10.29	28,000,626	12.73%	28,000,626	12.73%	None	None	None	None	Graduated from Feng Chia University	The Company: President	None	None	None	
		6,260					0%	6,260	0%	None	None	None	None							
Independent Director	R.O.C.	HWANG, JIN-FA	Male 71-80	2022.06.17	2025.06.16	2019.06.12	None	None	None	None	None	None	None	None	Doctor of Chinese Culture University	1. Accountant of CHUNG-SHIN Accounting Firm 2. Associate Professor of National Chengchi University 3. BenQ Trident Medical Corp.: Independent Director	None	None	None	

Independent Director	R.O.C.	LIN, CHANG-HSIUNG	Male 60-70	2022.06.17	2025.06.16	2016.06.08	None	None	None	None	None	None	None	None	None	Master of National Cheng Kung University	1. CEO of Environmental Quality Protection Foundation 2. Member of China Quality Association Service Quality Working Committee	None	None	None	
Independent Director	R.O.C.	CHEN, CHENG-KENG	Male 71-80	2022.06.17	2025.06.16	2019.06.12	None	None	None	None	None	None	None	None	None	Master of National Chengchi University	None	None	None	None	

Note 1. Number of shares is calculated as per number of outstanding shares 220,000,000; it should be represented by "0" if shareholding ratio does not reach 0.01%.

Note 2. Reason, rationality, necessity, and countermeasures shall be explained if the Chairman and the President or equivalent (top manager) are the same person, spouses or relatives within the first kinship: Considering the Company's operations and assets, the relative within the first kinship of the Chairman serves as the Vice Chairman so as to conforming to the strategies of operation and resource integration, etc. of the Company, which is different from the President who is solely responsible for the operation of the Company. The Company will additionally take relevant response measures in accordance with laws and regulations in the future.

Major Shareholders of Directors who are Corporate Shareholders (1-2)

Table 1: Major Shareholders of Institutional Shareholders

March 15, 2023

Name of Institutional Shareholder	Major Shareholder	Percentage of Ownership (%)
YUH SHUEN INVESTMENT& DEVELOPMENT CO., LTD	SHING HO CONSTRUCTION CO.,LTD	40.20
	TSAI, SUI-YING	0.01
	SHING HO INVESTMENT& DEVELOPMENT CO.,LTD	12.17
	CHENG, NU-E	0.11
	Toh-Oh Co., Ltd.	3.33
	PEARL OCEANIC LTD.	17.23
	CHENG, YU-CHIEH	8.41
	CHENG, PO-JEN	1.15
	CHENG, CHIH-WEN	16.49

Table 2: Major Shareholders of Institutional Shareholders with Corporations as Their Major Shareholders

March 15, 2023

Name of Institutional Shareholder	Major Shareholder	Percentage of Ownership (%)
SHING HO CONSTRUCTION CO.,LTD	Yeh, Hsueh-Mei	0.22
	TSAI, SUI-YING	12.94
	CHENG, CHIH-WEN	11.98
	CHENG, YU-CHIEH	9.62
	CHENG, PO-JEN	13.66
	YUH SHUEN INVESTMENT& DEVELOPMENT CO.,LTD	25.17
	SHING HO INVESTMENT& DEVELOPMENT CO.,LTD	26.40
	SHING HO INVESTMENT& DEVELOPMENT CO.,LTD	26.40
SHING HO INVESTMENT& DEVELOPMENT CO.,LTD	SHING HO CONSTRUCTION CO.,LTD	23.81
	CHENG, CHIH-WEN	15.88
	CHENG, YU-CHIEH	28.35
	CHENG, PO-JEN	5.42
	YUH SHUEN INVESTMENT& DEVELOPMENT CO.,LTD	12.02
	CHENG, YANG-EN	2.58
	CHENG, AI-CHEN	2.32
	CHENG, CHING-SUI	2.32
	FENGTAR FULI INDUSTRY CO., LTD.	3.56

Information on Independence of Directors (2)

1. Disclosure of professional qualifications of directors and independence of independent directors:

March 15, 2023

Name	Professional Qualification and Work Experience	Status of independence	Number of Other Public Companies where the Individual Concurrently Serves as an Independent Director
Chairman TSAI, SUI-YING*	Major education: Bachelor's degree in accounting and statistics of National Cheng Kung University Major experience: Chairman of Tung Ho Textile Co., Ltd., Chairman of YUH SHUEN INVESTMENT & DEVELOPMENT CO., LTD, Chairman of FENGTAR FULI INDUSTRY CO., LTD.	N/A	0
Vice Chairman CHENG, CHIH-WEN*	Major education: Bachelor's degree of faculty of law, Doshisha University Major experience: Vice Chairman of Tung Ho Textile Co., Ltd., director of FENGTAR FULI INDUSTRY CO., LTD., director of Japan Toyo Industry Co.	N/A	0
Director TSAI, FU-JEN*	Major education: Bachelor's degree in electrical engineering of National Cheng Kung University Major experience: AISO FJT CO., LTD., GFX, INC. TAIWAN BRANCH (U.S.A.), ChinaSteel Corporation	N/A	0
Director CHANG, CHIA-HENG*	Major education: Bachelor's degree in Textiles of Feng Chia University Major experience: Director of Tung Ho Textile Co., Ltd., general manager of Tung Ho Textile Co., Ltd.	N/A	0
Independent Director HWANG, JIN-FA	Major education: Ph.D. in business of Chinese Culture University, master's degree in accounting of National Chengchi University, bachelor's degree in accounting of National Chengchi University Major experience: CPA of Chung-Shih & Co., CPAs, adjunct associate professor of National Chengchi University; independent director of BenQ Medical Technology (a TPEX listed company) and Tung Ho Textile Corp. Audit Committee member of Tung Ho Textile Corp.	The independent directors of the Company are in compliance with Subparagraphs 1-8, Paragraph I, Article 3 of the "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies".	1
Independent Director LIN, CHANG-HSIUNG	Major education: Master's degree in industrial management of National Cheng Kung University Major experience: Director of Philips Quality Culture and Education Foundation, Taiwan; service and innovation work committee member of Chinese Society for Quality, vice president of supply chain under the SMEs panel business department of Chi Mei Optoelectronics/Toppoly Electronics; vice president of supply chain of Philips Semiconductor in the Asia Pacific region; vice president of supply chain and information technology of Philips Electronics Components in the headquarter of the Asia Pacific region; lecturer of the business excellence management class of the master's degree in industrial engineering of Tsinghua University; lecturer of the department of statistics of National Cheng Kung University	The independent directors of the Company are in compliance with Subparagraphs 1-8, Paragraph I, Article 3 of the "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies".	0

Name \ Qualifications	Professional Qualification and Work Experience	Status of independence	Number of Other Public Companies where the Individual Concurrently Serves as an Independent Director
Independent Director CHEN, CHENG-KENG	Major education: Master degree in accounting of National Chengchi University Major experience: Supervisor of Tung Ho Textile Corp., Director of Shuncheng CPAs Firm, CPA of Yongda Shuncheng CPAs Firm	The independent directors of the Company are in compliance with Subparagraphs 1-8, Paragraph I, Article 3 of the “Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies”.	0

Note: * Representatives of YUH SHUEN INVESTMENT& DEVELOPMENT CO., LTD

2. Information on Diversity and Independence of the Board of Directors:

(1) Diversity the Board of Directors:

The Company focuses on diversifying the composition of its Board of Directors. In order to strengthen corporate governance and promote the sound development of the Board of Directors' composition and structure, Article 20 of the Company's “Corporate Governance Code” stipulates that the Board of Directors shall possess the following competencies: 1. business judgment 2. accounting and financial analysis 3. Operation and management skills 4. crisis management skills 5. industry knowledge 6. international market perspective 7. leadership skills 8. decision-making capability.

At the same time, members of the Company's Board of Directors have diverse and complementary capabilities across industry sectors, and each has industry experience and related skills, such as legal, financial accounting, industry, technology, operation and management, professional skills and industry experience. Please refer to page 10 of the Annual Report for directors' information on major educational background and experience. The current implementation of the policy of diversity of board members of the Company's individual directors is as follows:

Board members of the Company have rich managerial experience, excellent leadership decision ability and abundant industrial knowledge. The Company also values gender equality of board members. There are 1 female director accounts for 14%, 1 employee director and 3 independent directors. Core competency of board members is shown below:

☆40-64 years old; ★65 years or above

Name of Director	Type of Director	Nationality	Age	Gender	Term (Years)			Serve concurrently as employees of the Company	Diversified Core Competences							
					<3	3-6	>6		Operating judgment	Accounting and financial analysis	Business Administration	Crisis management	Industrial Knowledge	Global market viewpoint	Leadership	Decision-making ability
TSAI, SUI-YING	Executive Director	R.O.C.	★	Female			●		✓	✓	✓	✓	✓	✓	✓	✓
CHENG, CHIH-WEN	Executive Director	R.O.C.	☆	Male			●		✓		✓	✓	✓	✓	✓	✓
TSAI, FU-JEN	Non-Executive Director	R.O.C.	★	Male			●		✓		✓		✓	✓		✓
CHANG, CHIA-HENG	Executive Director	R.O.C.	★	Male			●	✓	✓		✓	✓	✓	✓	✓	✓
HWANG, JIN-FA	Independent Director	R.O.C.	★	Male		●				✓				✓		
LIN, CHANG-HSIUNG	Independent Director	R.O.C.	★	Male			●		✓		✓			✓		
CHEN, CHENG-KENG	Independent Director	R.O.C.	★	Male		●				✓				✓		

(2) Information on Independence of Board of Directors :

The current Board of Directors of the Company consists of seven directors, of which three are independent directors of the Company. 43% of the total number of directors are independent directors, and no more than two of the directors are related to each other as spouses or relatives within the second degree of kinship, and there are no cases as stipulated in Paragraphs 3 and 4 of Article 26-3 of the Securities and Exchange Act.

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

March 15, 2023

Title	Nationality	Name	Gender	Date Elected	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominees		Major Experience (Education)	Other Position Concurrently Held at the Company and Other Companies	Managerial Officer who Are Spouses or within the Second Degree of Kinship			Remarks
					Number of Shares	%	Number of Shares	%	Number of Shares	%			Title	Name	Relationship	
Special Assistant to the Chairman	R.O.C.	CHENG, PO-JEN	Male	2017.06.16	789,556	0.36%	None	None	None	None	DePaul University	None	Chairman	TSAI, SUI-YING	Mother and son	Note 2
President	R.O.C.	CHANG, CHIA-HENG	Male	2017.11.07	6,260	0.00%	None	None	None	None	Graduated from Feng Chia University	None	None	None	None	
Vice President of Business Division	R.O.C.	LEE, CHIH-HUNG	Male	2017.12.01	None	None	None	None	None	None	Graduated from Feng Chia University	None	None	None	None	
Manager of R&D Centers	R.O.C.	HUNG, HSU-MIN	Male	2023.3.1	None	None	None	None	None	None	Graduated from Feng Chia University	None	None	None	None	Note 3
Division Chief of Yarn Spinning Division	R.O.C.	CHUANG, CHIH-CHIANG	Male	2023.3.1	None	None	None	None	None	None	Graduated from Feng Chia University	None	None	None	None	Note 3
Associate Manager of Finance Division	R.O.C.	KUO, YEN-LIANG	Male	2016.10.31	None	None	None	None	None	None	Graduated from Tokai University	None	None	None	None	
Associate Manager of Management Division	R.O.C.	LU, WEI-CHE	Male	2022.5.6	None	None	None	None	None	None	Graduated from Feng Chia University	None	None	None	None	Note 4

Note 1. Number of shares is calculated as per number of outstanding shares 220,000,000; it should be represented by "0" if shareholding ratio does not reach 0.01%.

Note 2. Reason, rationality, necessity, and countermeasures shall be disclosed if the President or equivalent (top manager) are the same person as the Chairman, spouses or relatives within the first kinship: Considering the Company's operations and assets, the relative within the first kinship of the Chairman serves as the Special Assistant to the Chairman so as to conforming to the strategies of market development of the Company, which is different from the President who is solely responsible for the operation of the Company. The Company will additionally take relevant response measures in accordance with laws and regulations in the future.

Note 3. Regularization of employment

Note 4. Associate Manager LU, WEI-CHE took the office on May 6, 2022.

III. Remuneration Paid During the Most Recent Fiscal Year to General Directors, Independent Directors, Supervisors, President, and Vice Presidents

(I) Remuneration of General Directors, Independent Directors, President, and Vice Presidents

1. Remuneration to General Directors and Independent Directors (names and remuneration thereof to be disclosed individually)

Unit: NT\$1,000; Year: 2022

Title	Name	Remuneration Paid to Directors								Ratio of Total Remuneration (A+B+C+D) to Net Income (%)		Relevant Remuneration Received by Directors who Are Also Employees						Ratio of Total Remuneration (A+B+C+D+E+F+G) to Net Income (%)		Remuneration from Invested Companies Other than Subsidiaries of the Parent Company	
		Base Compensation (A)		Severance Pay and Pension (B)		Remuneration Paid to Directors (C)(Note)		Business Execution Expenses (D)				Salary, Bonus, and Allowance (E)		Severance Pay and Pension (F)		Employee Compensation (G)(Note)					
		The Company	All Companies in Consolidated Financial Statements	The Company	All Companies in Consolidated Financial Statements	The Company	All Companies in Consolidated Financial Statements	The Company	All Companies in Consolidated Financial Statements	The Company	All Companies in Consolidated Financial Statements	The Company	All Companies in Consolidated Financial Statements	The Company	All Companies in Consolidated Financial Statements	Cash	Stock	Cash	Stock		The Company
Corporate Director	YUH SHUEN INVESTMENT & DEVELOPMENT CO., LTD	-	-	-	-	2,481	-	-	-	\$2,481 2.38%	-	-	-	-	-	-	-	-	\$2,481 2.38%	-	-
Representative (Chairman of the Company)	TSAI, SUI-YING	2,167	-	-	-	-	-	178	-	\$2,345 2.25%	-	-	-	-	-	-	-	-	\$2,345 2.25%	-	-
Representative (Vice Chairman of the Company)	CHENG, CHIH-WEN	-	-	-	-	-	-	178	-	\$178 0.17%	-	-	-	-	-	-	-	-	\$178 0.17%	-	-
Representative	TSAI, FU-JEN	-	-	-	-	-	-	130	-	\$130 0.12%	-	-	-	-	-	-	-	-	\$130 0.12%	-	-
Representative (President of the Company)	CHANG, CHIA-HENG	-	-	-	-	-	-	130	-	\$130 0.12%	-	1,591	-	-	-	244	-	-	\$1,965 1.88%	-	-
Independent Director	HWANG, JIN-FA	360	-	-	-	277	-	138	-	\$775 0.74%	-	-	-	-	-	-	-	-	\$775 0.74%	-	-

Title	Name	Remuneration Paid to Directors								Ratio of Total Remuneration (A+B+C+D) to Net Income (%)		Relevant Remuneration Received by Directors who Are Also Employees						Ratio of Total Remuneration (A+B+C+D+E+F+G) to Net Income (%)		Remuneration from Invested Companies Other than Subsidiaries or the Parent Company		
		Base Compensation (A)		Severance Pay and Pension (B)		Remuneration Paid to Directors (C)(Note)		Business Execution Expenses (D)				Salary, Bonus, and Allowance (E)		Severance Pay and Pension (F)		Employee Compensation (G)(Note)						
		The Company	All Companies in Consolidated Financial Statements	The Company	All Companies in Consolidated Financial Statements	The Company	All Companies in Consolidated Financial Statements	The Company	All Companies in Consolidated Financial Statements	The Company	All Companies in Consolidated Financial Statements	The Company	All Companies in Consolidated Financial Statements	The Company	All Companies in Consolidated Financial Statements	The Company		All Companies in Consolidated Financial Statements			The Company	All Companies in Consolidated Financial Statements
																Cash	Stock	Cash	Stock			
Independent Director	LIN, CHANG-HSIUNG	360	-	-	-	277	-	204	-	\$841 0.81%	-	-	-	-	-	-	-	-	\$841 0.81%	-	-	
Independent Director	CHEN, CHENG-KENG	360	-	-	-	277	-	204	-	\$841 0.81%	-	-	-	-	-	-	-	-	\$841 0.81%	-	-	
Other than disclosures in the above table, remuneration paid to directors for providing services (e.g., providing consulting services as a non-employee) for all companies in consolidated financial statements in the most recent year: None.																						

* The remuneration contents disclosed in this table are different from the concept of income specified in the Income Tax Act, thus the purpose of this table is for information disclosure only, rather than taxation purpose.

Note: For the amount of remuneration paid to employees and directors that has not been approved by the Board of Directors, the amount proposed to be distributed this year shall be calculated based on the proportion of actual distribution amount last year.

2. Remuneration to President and Vice President (names and remuneration thereof to be disclosed individually)

Unit: NT\$1,000; Year: 2022

Title	Name	Salary (A)		Severance Pay and Pension (B)		Bonuses and Allowance (C)		Employee Compensation (D)(Note)				Ratio of Total Remuneration (A+B+C+D) to Net Income (%)		Remuneration from Invested Companies Other than Subsidiaries or the Parent Company
		The Company	All Companies in Consolidated Financial Statements	The Company	All Companies in Consolidated Financial Statements	The Company	All Companies in Consolidated Financial Statements	The Company		All Companies in Consolidated Financial Statements		The Company	All Companies in Consolidated Financial Statements	
								Cash	Stock	Cash	Stock			
Special Assistant to the Chairman	CHENG, PO-JEN	1,167	-	-	-	-	-	375	-	-	-	\$1,542 1.48%	-	-
President	CHANG, CHIA-HE NG	1,591	-	-	-	-	-	244	-	-	-	\$1,835 1.76%	-	-
Vice President of Business Division	LEE, CHIH-HUNG	1,185	-	-	-	-	-	221	-	-	-	\$1,406 1.35%	-	-

* The remuneration contents disclosed in this table are different from the concept of income specified in the Income Tax Act, thus the purpose of this table is for information disclosure only, rather than taxation purpose.

Note: For the amount of remuneration paid to employees and directors that has not been approved by the Board of Directors, the amount proposed to be distributed this year shall be calculated based on the proportion of actual distribution amount last year.

3. Remuneration to Top Five Managerial Officers of Listed Companies (names and remuneration thereof to be disclosed individually)(Note 1)

Unit: NT\$1,000; Year:2022

Title	Name	Salary (A)		Severance Pay and Pension (B)		Bonuses and Allowance (C)		Employee Compensation (D)(Note 3)				Ratio of Total Remuneration (A+B+C+D) to Net Income (%)		Remuneration from Invested Companies Other than Subsidiaries or the Parent Company
		The Company	All Companies in Consolidated Financial Statements	The Company	All Companies in Consolidated Financial Statements	The Company	All Companies in Consolidated Financial Statements	The Company		All Companies in Consolidated Financial Statements		The Company	All Companies in Consolidated Financial Statements	
								Cash	Stock	Cash	Stock			
Special Assistant to the Chairman	CHENG, PO-JEN	1,167	-	-	-	-	-	375	-	-	-	\$1,542 1.48%	-	-
President	CHANG, CHIA-HENG	1,591	-	-	-	-	-	244	-	-	-	\$1,835 1.76%	-	-
Vice President of Business Division	LEE, CHIH-HUNG	1,185	-	-	-	-	-	221	-	-	-	\$1,406 1.35%	-	-
Associate Manager of Finance Division (Corporate Governance Officer)	KUO, YEN-LIANG	1,003	-	-	-	-	-	198	-	-	-	\$1,201 1.15%	-	-

Note 1. The "top five managerial officers with the highest remuneration" refer to the Company's managerial officers; the definition of managerial officers are based on the Ministry of Finance Official Letter No. Zheng-San 0920001301 regarding the scope of managerial officers issued by the former Securities and Futures Commission, Ministry of Finance on March 27, 2003.

Note 2. "managerial officers" are consistent with the Ministry of Finance Securities and Futures Commission Official Letter No. Zheng-San 0920001301.

Note 3. For the amount of remuneration paid to employees and directors that has not been approved by the Board of Directors, the amount proposed to be distributed this year shall be calculated based on the proportion of actual distribution amount last year.

* The remuneration contents disclosed in this table are different from the concept of income specified in the Income Tax Act, thus the purpose of this table is for information disclosure only, rather than taxation purpose.

4. Name of managerial officers paying remuneration to employees and information on remuneration paid:

Unit: NT\$1,000; Year:2022

	Title	Name	Stock	Cash (Note)	Total	Proportion to Earnings After Tax (%)
Manager	Special Assistant to the Chairman	CHENG, PO-JEN	None	1,038	1,038	0.99
	President	CHANG, CHIA-HENG				
	Vice President of Business Division	LEE, CHIH-HUNG				
	Associate Manager of Finance Division	KUO, YEN-LIANG				

Note: For the amount of remuneration paid to employees and directors that has not been approved by the Board of Directors, the amount proposed to be distributed this year shall be calculated based on the proportion of actual distribution amount last year.

(II) Specify and compare the salary to directors, presidents and vice presidents of the Company in proportion to the earnings after tax from the Company and companies included in the consolidated financial statements in the most recent 2 years, and specify the policies, standards, combinations, procedure of decision-making of remunerations and their relation to business performance and future risk:

1. Remuneration, as a percentage of net income, paid to the directors and president during the past 2 fiscal years:

Unit: NT\$1,000

Year	2021	2022
Total remunerations to the Directors and President (A)	10,648	9,556
After-tax net income (B)	142,503	104,362
Total of Remuneration (A)/(B)	7.47%	9.16%

2. Traffic allowance paid to Directors and attendance fees paid to the board in 2022 are the same as those in 2021. Remuneration, as a percentage of net income, paid to the Directors, President and Vice President changes slightly with after-tax net income.
3. Remuneration paid to Directors (including Chairman), as stipulated by Article 36 of the Articles of Incorporation, are based on their level of participation and contributions in the Company's business operations

and also based on the average industry standards.

4. The remuneration is determined by taking into account only operating performance and not future risks.

IV. Implementation of Corporate Governance

(I) Board of Director

A total of 5 meetings of the Board of Directors were held in 2022. The attendance of the directors is as follows:

Title	Name	Attendance in Person	Attendance by Proxy	Attendance Rate (%)	Remarks
Chairman	Representative of YUH SHUEN INVESTMENT & DEVELOPMENT CO.,LTD.: TSAI, SUI-YING	5	0	100%	
Vice Chairman	Representative of YUH SHUEN INVESTMENT & DEVELOPMENT CO.,LTD.: CHENG, CHIH-WEN	5	0	100%	
Director	Representative of YUH SHUEN INVESTMENT & DEVELOPMENT CO.,LTD.: TSAI, FU-JEN	5	0	100%	
Director	Representative of YUH SHUEN INVESTMENT & DEVELOPMENT CO.,LTD.: CHANG, CHIA-HENG	5	0	100%	
Independent Director	HWANG, JIN-FA	5	0	100%	
Independent Director	LIN, CHANG-HSIUNG	5	0	100%	
Independent Director	CHEN, CHENG-KENG	5	0	100%	

Other matters to be recorded:

- I. With regard to the implementation of the Board of Directors, if any of the following circumstances occurs, the dates, terms of the meetings, contents of motions, all independent directors' opinions and the Company's handling of such opinions shall be specified:
 - (I) Items specified in Article 14-3 of the Securities and Exchange Act: Please refer to Page 32 (XI) "Key resolutions adopted by the shareholders' meeting and the Board of Directors in the most recent fiscal year up to the publication date of this Annual Report" of the Annual Report
 - (II) Any recorded or written Board resolutions to which independent directors have objections or reservations to be noted in addition to the above : None
- II. Regarding recusals of directors from voting due to conflicts of interest, the names of the directors, contents of motions, reasons for recusals, and results of voting shall be specified:

Board of Directors	Directors that should avoid this proposal	Major Resolutions	Reason for Recusal	Participation in vote
2022.03.15 The 14th meeting of the 36 session	CHANG, CHIA-HENG	Proposal for 2021 Distribution of Year-end Bonus for Managers	Absent directors are the subjects of such reward resolution	Except interested Directors (CHANG, CHIA-HENG) are absent from discussion and voting due to recusal of interest, other attending directors pass this proposal upon Chairman's consulting
2022.04.29 The 15th meeting of the 36th session	CHANG, CHIA-HENG	2021 employee remuneration distribution plan	Absent directors are the subjects of such reward resolution	Except interested Directors (CHANG, CHIA-HENG) are absent from discussion and voting due to recusal of interest, other attending directors pass this proposal upon Chairman's consulting
		2021 manager remuneration distribution plan	Absent directors are the subjects of such reward resolution	Except interested Directors (CHANG, CHIA-HENG) are absent from discussion and voting due to recusal of interest, other attending directors pass this proposal upon Chairman's consulting

III. The execution of the Board's evaluation:

Frequency	Period	Scope	Method	Content
Once a year	From January 1 to December 31, 2022	Board of Directors	Self-evaluation by the directors	<ol style="list-style-type: none"> 1. Participation of the Company's operation 2. Improvement in the Board's decision making quality 3. Composition and structure of the Board 4. Selection and continuing education of the directors 5. Internal Control

IV. Measures undertaken during the current year and past year in order to strengthen the functions of the board of directors (such as the establishment of an audit committee and improvement of information transparency, etc.) and assessment of their implementation:

- (I) Except relevant regulations provided to Directors anytime, report business performance to Directors in board meeting, and prepare proposals and assign personnel for board examination and consulting.
- (II) The Company has established the Audit Committee to replace the power of supervisors and strengthen the function of the Board of Directors after the re-election of directors and supervisors at the general shareholders meeting on June 12, 2019.
- (III) Proactively provides training courses, encourages Directors to actively participate in corporate governance training courses and invites professional lecturers to give lessons from time to time, so as to strengthen the competency of Board members. In 2022, 5 directors participated in training courses, with a total of 30 hours.
- (IV) In order to implement corporate governance and strengthen functions of Board, performance objectives have been set to strengthen operation efficiency of Board. On November 10, 2019, the Board passed "Board Performance Appraisal Method", completed performance appraisal questionnaires among Board members from January 1 to December 31, 2022 before the first quarter of 2023, with outstanding performance in the results. The results of the Board of Directors' performance evaluation have been reported to the Board of Directors on April 28, 2023.

(II) Audit Committee:

A total of 4 (A) meetings of the Audit Committee were held in the previous period (2022). The attendance of auditors was as follows:

Title	Name	Attendance in Person (B)	Attendance by Proxy	Attendance Rate (%) (B/A)(Note)	Remarks
Independent Director	HWANG, JIN-FA	4	0	100%	
Independent Director	LIN, CHANG-HSIUNG	4	0	100%	
Independent Director	CHEN, CHENG-KENG	4	0	100%	

Other matters to be recorded:

I. With regard to the implementation of the Audit Committee, if any of the following circumstances occur, the dates, terms of the Audit Committee meetings, contents of motions, objections of the independent directors, qualified opinions or material recommendations, all Audit Committee resolutions, and the Company's handling of such resolutions shall be specified:

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

Audit Committee	Resolution content and results
2022.03.15 The 12th meeting of the 1 session	<p>Proposal:</p> <ul style="list-style-type: none"> ● Proposal of 2021 Q4 consolidated financial statements for discussion. ● Replacement of CPAs of the financial statements. <p>Resolution results: The proposal was approved by the Chairman with the consent of all members present and sent to the Board of Directors for approval.</p>
2022.04.29 The 13th meeting of the 1st session	<p>Proposal:</p> <ul style="list-style-type: none"> ● Passed the proposal on the review of the CPA's professional fees. ● Proposal of 2022 Q1 consolidated financial statements for discussion. ● 2021 distribution plan for earnings. <p>Resolution results: The proposal was approved by the Chairman with the consent of all members present and sent to the Board of Directors for approval.</p>
2022.08.09 The 1st meeting of the 2nd session	<p>Proposal:</p> <ul style="list-style-type: none"> ● Proposal of 2022 Q2 consolidated financial statements for discussion. <p>Resolution results: The proposal was approved by the Chairman with the consent of all members present and sent to the Board of Directors for approval.</p>

	<p style="text-align: center;">2022.11.09 The 2nd meeting of the 2nd session</p>	<p>Proposal:</p> <ul style="list-style-type: none"> ● Proposal of 2022 Q3 consolidated financial statements for discussion. ● 2023 Audit plan. <p>Resolution results:</p> <p>The proposal was approved by the Chairman with the consent of all members present and sent to the Board of Directors for approval.</p>
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(II) Other matters not approved by the Audit Committee but approved by two-thirds or more of all directors: None.

II. Regarding recusals of independent directors from voting due to conflicts of interest, the names of the independent directors, contents of motions, reasons for recusals, and results of voting shall be specified: None.

III. Communication between the independent directors, chief internal auditor, and CPAs (including the key items, methods, and results of audit of finances):

The Company's internal auditors submit monthly audit reports or tracking reports for the previous month to each of the independent directors for their review, and the independent directors provide feedback or comments as necessary. There were no significant irregularities in the audit results, and the independent directors had no objection in 2022.

The Audit Committee has the authority to conduct any appropriate audits and investigations in accordance with the Articles of Incorporation in order to fulfill its responsibilities, and has direct access to the Company's internal auditors and CPAs. The Audit Committee also has the authority to appoint and supervise attorneys, CPAs or other consultants to assist the Audit Committee in carrying out its duties. Please refer to the Company's website for the Audit Committee's Articles of Incorporation.

(III) Corporate Governance Implementation Status and Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof

Evaluation Item	Implementation Status			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
	Yes	No	Description	
I. Does the company establish and disclose its corporate governance best-practice principles based on the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies?	V		The "Corporate Social Responsibility Best-practice Principles" was approved by the Board of Directors on November 12, 2020 and has been disclosed on the company website.	No significant deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies.
II. Shareholding structure & shareholders' rights (I) Does the Company establish internal operating procedures or policies to handle shareholder suggestions, doubts disputes and lawsuits and implemented such procedures or policies? (II) Does the Company possess a list of major shareholders and list of ultimate owners of these major shareholders? (III) Has the Company established and enforced risk control and firewall systems with its affiliate companies? (IV) Has the Company adopted internal rules prohibiting company insiders from trading securities using information not disclosed to the market?	V		(I) The Company's spokesperson is responsible for handling shareholder recommendations and disputes, and any questions concerning legal issues will be handled by the Company's lawyers. (II) The Company reports shares of Directors, Supervisors, managers and shareholders holding above 10% of shares monthly according to the Securities and Exchange Act to master the list of major shareholders and ultimate controllers of the actual controlling company. (III) "Financial Practice for Affiliates" and "Related Transaction Management and Operational Procedures" have been established in internal control systems of the Company. (IV) The Company has established the "Management and Operational Procedures to Prevent Insider Trading" to prohibit the Directors, managers and all employees of the Company, as well as anyone who becomes aware of the Company's information based on professional or control relationships from any conduct that may involve insider trading and has promoted it regularly.	No significant deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies.
III. Composition and responsibilities of the Board of Directors (I) Does the Board of Directors formulate a diversity policy, specific management objectives and implementation?	V		(I) According to Article 20 of the Company's Corporate Governance Best Practice Principles, diversity shall be considered in the composition of the Company's Board of Directors, and members of the Board of Directors shall possess the knowledge, skills, and qualities required to	No significant deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies.

Evaluation Item	Implementation Status			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
	Yes	No	Description	
<p>(II) In addition to the Remuneration Committee and Audit Committee, has the Company voluntarily established other functional committees?</p> <p>(III) Has the Company established standards to measure the performance of the Board, and does the Company implement such annually? Does it report the results of the performance evaluation to the BOD and use them as a reference for each Director's remuneration and nomination of term renewal?</p> <p>(IV) Does the Company regularly assess on the independence of CPAs?</p>	V	V	<p>perform their duties. The Board drafted diversified policies on board composition and disclosed them on company website and public information observation station. Please refer to page 25 for the implementation of Board members diversification policy of individual Directors.</p> <p>(II) The Company has established the Remuneration Committee and the Audit Committee on June 12, 2019, and others will be evaluated and set according to future corporate governance or government regulations.</p> <p>(III) The Company passed "Board Performance Appraisal Method" by board resolutions on November 12, 2019, completed performance appraisal questionnaires among all Board members from January 1 to December 31, 2022 before the first quarter of 2023, as stipulated by ZJSTZZLZ No. 10700253951, with outstanding performance in the results. The results of the Board of Directors' performance evaluation have been reported to the Board of Directors on April 28, 2023.</p> <p>(IV) outstanding accountants were selected and their independence was examined.</p>	
<p>IV. Does the company appoint adequate persons and a chief governance officer to be in charge of corporate governance matters (including but not limited to providing directors and supervisors required information for business execution, assisting directors and supervisors in following laws and regulations, handling matters in relation to the Board meetings and shareholders' meetings and keeping minutes at the Board meetings and shareholders' meetings according to law)?</p>	V		<p>1. To establish sound corporate governance system and effective corporate governance structure, the Company has appointed Associate Manager of the Management Division KUO, YEN-LIANG to take charge of corporate governance by board resolutions made on April 27, 2021, with above three years of managerial experience in finance, stock affairs and official business discussion of public companies.</p> <p>2. The Management Division of the Company supervises corporate governance affairs. The stock affairs section takes care of all related matters, including organizing Board meetings and shareholders' meetings, compiling meeting minutes, periodically reviewing and modifying "Corporate Governance Principles" and relevant methods and providing necessary data for execution of businesses of the Board.</p>	<p>No significant deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies.</p>

Evaluation Item	Implementation Status			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
	Yes	No	Description	
V. Does the Company establish communication channels and a dedicated section on the Company website for stakeholders (including but not limited to shareholders, employees, customers, and suppliers) to respond to material corporate social responsibility issues in a proper manner?	V		The Company has designated a spokesperson and a deputy spokesperson, and has a designated stakeholder section on the Company's website to provide stakeholders a smooth communication channel.	No significant deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies.
VI. Does the Company appoint a professional shareholder service agency to deal with shareholder affairs?	V		The Company has entrusted the Trust Department of Chinatrust Commercial Bank to process affairs related to shareholders meetings.	No significant deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies.
VII. Information disclosure (I) Has the Company established a corporate website to disclose information regarding the company's financial, business, and corporate governance status? (II) Has the Company established any other information disclosure channels (e.g. maintaining a website in English, designating people to handle information collection and disclosure, appointing spokespersons, webcasting investors' conference, etc.)? (III) Does the Company announce and declare the annual financial report within two months after the end of the fiscal year? Does it announce and declare the first, second and third quarter financial reports and operating conditions of each month as soon as possible before the prescribed period?	V V		(I) The website of the Company is http://www.tungho.com.tw/ , related data should be disclosed on the public information observation station. (II) Other information: Build English website, assign a person to be responsible for information collection and disclosure, disclose related information on financial statements, road show and board of shareholders and assign a spokesman. (III) 2022 financial report was handled within the time specified by the Securities and Exchange Act and was not published in advance.	No significant deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies.
VIII. Is there any other important information to facilitate a better understanding of the Company's corporate governance practices (including but not limited to employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, directors' and supervisors' training records, the implementation of risk management policies and risk evaluation measures, the implementation of customer relations policies, and purchase of liability insurance for directors and supervisors)?	V		1. The Company's Directors have faithfully conducted corporate affairs and perform the duty of care of a good administrator in exercising their powers. 2. To strengthen corporate governance, board meeting was called at least once per quarter with a high attendance rate of Directors. 3. Proposals of the Board about recusal of interest have been implemented. 4. The Company always keeps good relationship with our suppliers. 5. The Company discloses information to be disclosed on public information observation station and company website so that stakeholders know company status to protect their rights.	No significant deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies.

Evaluation Item	Implementation Status			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
	Yes	No	Description	
IX.			Improvements made in the most recent fiscal year in response to the results of corporate governance evaluation conducted by the Corporate Governance Center of the Taiwan Stock Exchange Corporation, and improvement measures and plans for items yet to be improved. The Company has strengthened the work within the improvable range based on existing human and material resources and will scale up to optimize corporate governance.	

(IV) Composition, Duties and Operation of the Remuneration Committee:

(1) Information on the Members of the Remuneration Committee:

March 15, 2023

Title	Qualifications	Professional Qualification and Work Experience	Status of independence	Number of Other Public Companies in Which the Individual is Concurrently Serving as a Remuneration Committee Member
	Name			
Independent Director (Convener)	LIN, CHANG-HSIUNG	Please refer to page 12 of the Annual Report for the disclosure of professional qualifications of directors and independence of independent directors		0
Independent Director	CHEN, CHENG-KENG			0
Others	HO, EN-THE	Major education: master's degree of the Institute of Marine Law of National Taiwan Ocean University Major experience: CPA of Juicheng CPA & Co.; Remuneration Committee member of Tung Ho Textile Corp.	It is in line with the independence conditions stipulated in Article 14-6 of the Securities and Exchange Law and the "Measures for the Establishment and Exercising of Functions and Powers of the Remuneration Committee of Listed Companies or Companies Trading on Securities Firms' Business Places" (Note), including but not limited to: 1. The member himself/herself, his/her spouse and relatives within the second degree of kinship have not served as a director or a supervisor of the Company or its affiliated companies; 2. Neither the member himself/herself (in the name of others) nor his/her spouse has held the shares of the Company; 3. There is no remuneration for providing business, legal, financial, accounting, and other related services to the Company or its affiliated companies in recent 2 years.	0

Note: There was no one of the following circumstances in the two years before the appointment and during the tenure:

- (1) Being employed by the company or its affiliated companies.
- (2) Served as a director or a supervisor of the Company or its affiliated companies.
- (3) He/she himself/herself, his/her spouse, and minor children held (or in the name of others) more than 1% of the Company's total issued shares or were the top ten natural person shareholders.
- (4) The spouse, relatives within the second or third degree of kinship of the manager indicated in Paragraph (1) or those presented in Paragraphs (2) and (3).

- (5) A director, supervisor or employee of corporate shareholders who directly held more than 5% of the Company's total issued shares, were the top five shareholders, or designated representatives to serve as directors or supervisors of the company in accordance with Paragraph 1, Article 27 or Paragraph 2, Article 27 of the Company Act.
- (6) A director, supervisor or employee of other companies controlled by the same person as the Company's director seats or by more than half of the voting shares.
- (7) A director (council member), supervisor, or employee of another company or institution who is the same person or spouse as the chairman, general manager, or equivalent of another company or institution.
- (8) A director (council member), supervisor, manager, or shareholder holding more than 5% of the shares of specific companies or institutions that have financial or business dealings with the Company.
- (9) Professionals, and business owners, partners, directors (council members), supervisors, and managers (and their spouses) of sole proprietorships, partnerships, companies or institutions that provided auditing for the Company or affiliated companies or cumulatively received the remuneration for business, legal, financial, accounting and other related services amounting to more than NT\$500,000 in the last two years. Provided, however, that this does not apply to those who served as members of the Remuneration Committee, Public M&As Review Committee, or Special M&As Committee in accordance with the law.

(2) Operations of the Remuneration Committee:

- 1) There are three members in the Remuneration Committee of the Company.
- 2) The Remuneration Committee Term: from June 17, 2022 to June 16, 2025. A total of 4 (A) Remuneration Committee meetings were held in the most recent year. The information and attendance of the members was as follows:

Title	Name	Attendance in Person (B)	Attendance by Proxy	Attendance Rate (%) (B/A)	Remarks
Convener	LIN, CHANG-HSIUNG	4	0	100	
Committee Member	CHEN, CHENG-KENG	4	0	100	
Committee Member	HO, EN-THE	4	0	100	

Other matters to be recorded:

- I. If the Board of Directors refuses to adopt or amends a recommendation of the Remuneration Committee, the date of the meeting, session, content of the motion, resolution by the Board of Directors, and the company's response to the Remuneration Committee's opinion (e.g., if the remuneration passed by the Board of Directors exceeds the recommendation of the Remuneration Committee, the circumstances and cause for the difference shall be specified) shall be specified: None.
- II. If there are resolutions of the Remuneration Committee to which members object or express reservations, and for which there is a record or declaration in writing, the date of the meeting, session, content of the motion, all members' opinions and the response to members' opinion shall be specified: None.
- III. Resolutions made at the Meeting of the Remuneration Committee in recent years and results:

Remuneration Committee	Resolution content and results
2022.01.24 The 6th meeting of the 4th session	Proposal: ● The distribution case of the Company's 2021 manager year-end performance bonus was examined.

	<p>Resolution results: The proposal was approved by the Chairman with the consent of all members present and sent to the Board of Directors for approval.</p>
<p>2022.04.20 The 7th meeting of the 4th session</p>	<p>Proposal:</p> <ul style="list-style-type: none"> ● The distribution case of the Company's 2021 director remuneration was examined. ● The distribution case of the Company's 2021 manager remuneration was examined. <p>Resolution results: The proposal was approved by the Chairman with the consent of all members present and sent to the Board of Directors for approval.</p>
<p>2022.08.02 The 1st meeting of the 5 session</p>	<p>Proposal:</p> <ul style="list-style-type: none"> ● The remuneration items and performance appraisal proposals for directors and managers to be executed during the term of office of the Company's fifth session committee were reviewed. ● The proposal on independent directors' remuneration of the Company was reviewed. <p>Resolution results: The proposal was approved by the Chairman with the consent of all members present and sent to the Board of Directors for approval.</p>
<p>2023.03.07 The 2nd meeting of the 5th session</p>	<p>Proposal:</p> <ul style="list-style-type: none"> ● The distribution case of the Company's 2022 manager year-end performance bonus was examined. <p>Resolution results: The proposal was approved by the Chairman with the consent of all members present and sent to the Board of Directors for approval.</p>

(V) Implementation Status of Sustainable Development Promotion and Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof :

Evaluation Item	Implementation Status			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
	Yes	No	Description	
I. Does the company set up a governance structure to promote sustainable development and establish an exclusively (or concurrently) dedicated unit to implement sustainable development and have management appointed by the Board of Directors to be in charge of corporate social responsibility and to report the supervision status to the Board of Directors?	V		<ol style="list-style-type: none"> 1. In response to global climate change and the introduction of various international green and sustainable policies, the Company has set up a "Corporate Sustainable Development Committee" on September 22, 2022 to plan the organization of greenhouse gas carbon inventories, as well as formulate and review relevant management policies for sustainable operation. 2. The President serves as the chairman of committee, the Administrative Division acts as the management executive unit, and the department heads assume the office of members, in a bid to respond to the importance of sustainable development issues for the time being. 	No significant deviations.
II. Does the Company assess ESG risks associated with its operations based on the principle of materiality, and establish related risk management policies or strategies?	V		<p>In accordance with the principle of materiality, the following risks are identified and countermeasures are proposed:</p> <ol style="list-style-type: none"> 1. Raw material supply risks- Diversify the source of key raw material procurement and establish a safe inventory. 2. Certification failure risk- Management and operation manual development and internal audit. 3. Labor loss risks- Establishment of comprehensive promotion and salary adjustment channels, hiring and transferring according to job performance and employees' intention, smooth channels for workplace care and complaints, and training for function improvement. 4. Occupational safety risks- 	No significant deviations.

Evaluation Item	Implementation Status			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
	Yes	No	Description	
			<p>Implementation of safety and health education and training, on-site inspection and improvement, emergency response drills, and continuous establishment of good communication channels with stakeholders.</p> <p>5. Fire risks- Renewal of old equipment, regular fire drills, regular maintenance and inspection of equipment, etc. to reduce disasters.</p> <p>6. Climate change-related risks- Planning and organizing greenhouse gas inventories, formulating carbon reduction policies promoted and implemented by the Corporate Sustainable Development Committee, continuous product carbon footprint inventories and hot spot improvements, and the use of clean energy.</p>	
<p>III. Environmental issues</p> <p>(I) Does the company establish proper environmental management systems based on the characteristics of their industries?</p>	V		<p>(I)</p> <p>1. Waste: The Company formulated a waste removal plan in accordance with the <u>Waste Disposal Act</u>, and was approved by the Environmental Protection Bureau. The amount of waste generated and stored by the Company is regularly reported and recorded in accordance with the plan, and waste removal, treatment and reuse are entrusted to qualified removal and treatment companies. The relevant treatment records have been recorded in the Environmental Protection Bureau's system, and no hazardous waste is produced by the Company.</p> <p>2. Wastewater: The Company formulated a water pollution prevention and control plan in accordance with the <u>Water Pollution Control Act</u>, and was approved by the Environmental Protection Bureau. The</p>	No significant deviations.

Evaluation Item	Implementation Status			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
	Yes	No	Description	
(II) Does the company endeavor to improve energy utilization efficiency and use renewable materials which have low impact on the environment?	V		<p>Company entrusts qualified companies to conduct monthly water discharge sampling and water quality analysis to ensure that the wastewater discharge meets the standards, and the water quality analysis results are kept for record. The Company makes regular semi-annual filings, and the relevant information is publicly disclosed for inspection in accordance with law.</p> <p>3. The Company has no printing and dyeing process, and does not use boilers. There is no source of air pollution production.</p> <p>(II)</p> <p>1. In view of the fact that energy consumption is a major issue in the future, the Company planned for green energy power generation in 2013. The first phase of solar power generation equipment in the Madou factory was completed in October 2014, the second and third phases were completed in May and July 2017, and the fourth phase was completed in March 2019, totaling 1,998kw; the installation of solar power equipment in the Rende District was completed in October 2019, totaling 672.75kw.</p> <p>2. In 2022, the total amount of solar power generated by the Madou factory (Phases I-IV) was a total of 2,594,000 kWh, and the total amount of solar power generated by Rende was 957,000 kWh, totaling 3,551,000 kWh and saving 1,891 tons of carbon emissions.</p> <p>3. In the second half of 2022, the Company projected a digital energy and carbon flow management system, and built smart integrated electricity meters to improve energy efficiency and reduce electricity costs. These efforts effectively monitored the flow</p>	

Evaluation Item	Implementation Status			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
	Yes	No	Description	
<p>(III) Does the company evaluate the potential risks and opportunities in climate change with regard to the present and future of its business, and take appropriate action to counter relevant issues?</p> <p>(IV) Does the company take inventory of its greenhouse gas emissions, water consumption, and total weight of waste in the last two years, and implement policies on energy efficiency and carbon dioxide reduction, greenhouse gas reduction, water reduction, or waste management?</p>	V	V	<p>of all energy-consuming equipment in the factories, eliminated hot spots in the process, and reduced unnecessary power consumption.</p> <p>(III) Identify the risks and opportunities associated with climate change and measure the potential impact on our business and strategy. Manage the carbon footprint of our products in response to brand and market needs, we introduced ISO 14067 product carbon footprint verification. The Company intends to apply for the certification of ISO 14064 carbon footprint accounting in 2023.</p> <p>(IV) Continue to protect the environment, operate sustainably, and comply with laws and regulations. In 2022, we discharged a total of 95,670 KG of waste and 15,184 tons of wastewater. We selected the most appropriate legal removal and treatment channel according to the source of waste generation. By strengthening the recycling mechanism in the factories, we were able to recycle 91,430 KG of waste in 2022.</p>	
<p>IV. Social issues</p> <p>(I) Does the Company formulate appropriate management policies and procedures according to relevant regulations and the International Bill of Human Rights?</p>	V		<p>(I) The Company complies with current national laws and regulations, including the Labor Standards Act, Act of Gender Equality in Employment and Sexual Harassment Prevention Act, and regularly revises its employee management rules. The Company also adheres to internationally recognized labor rights, such as freedom of association, the right to collective bargaining, the prohibition of child labor, the elimination of all forms of forced labor, and the elimination of employment and employment discrimination. It established a corporate social responsibility manual as a guideline for the</p>	No significant deviations.

Evaluation Item	Implementation Status			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
	Yes	No	Description	
(II) Does the company appropriately reflect the business performances or achievements in the employee remuneration policy (including salary, annual leave and other benefits)?	V		<p>Company to fulfill its social responsibilities, maintain good labor relations, improve working conditions, and continuously enhance employee wages and benefits.</p> <p>The Company provides an effective and appropriate complaint mechanism to ensure equality and transparency in the complaint process, and to respond appropriately to employee complaints.</p> <p>(II)</p> <ol style="list-style-type: none"> 1. Set up a comprehensive salary structure and promotion system for employees. 2. Employ a total of 7 employees with physical and mental disabilities, with a quorum of 2 employees and an over-employment of 5 employees. 3. Set up an Employee Welfare Committee to handle employee welfare matters, including bonuses for three festivals, birthday gifts, employee travel, etc. 4. In order to take care of employees and motivate their children to study hard, we set up a scholarship program and give scholarships to students who meet the requirements every semester. 5. In order to motivate employees to realize their potential and actively improve their work performance, we set up a improvement measure and hold monthly improvement proposal review meetings. The Company provides proposal bonuses and certificates according to the effectiveness of the proposals to recognize employees' efforts. 6. In January, February and April of each year, according to the operation results of the previous year and individual performance assessment, year-end bonuses and employee compensation are paid. 	

Evaluation Item	Implementation Status			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
	Yes	No	Description	
(III) Does the company provide a healthy and safe working environment and organize training on health and safety for its employees on a regular basis?	V		<p>(III)</p> <ol style="list-style-type: none"> 1. We plan and execute employee health checkups every year, analyze and evaluate the health checkup results, as well as manage the cases of high-risk employees. The employee health check was completed in October 2022. 2. Factory doctor visits the factories every month and performs employee health consultation, high-risk employee management, health guidance and tracking, evaluates the workplace environment, makes recommendations for improvement, etc. 3. Four major protection programs for employees: In 2022, we organized courses on shoulder and neck stress relief/ hand-made clay stress relief/ hearing protection, etc. 4. Establish and promote the implementation of occupational safety and health management system in accordance with the Occupational Safety and Health Act, provide safe and healthy working conditions, comply with the Occupational Safety and Health Act and related requirements, eliminate hazards and reduce occupational safety and health risks, and promote employee consultation and participation in occupational safety and health. We completed ISO45001:2018 and CNS45001 conversion certification in January 2021. 5. The “Occupational Safety and Health Committee” was established to protect the safety and health conditions of all employees and to provide employees with a platform to express their opinions. The committee is composed of the chairman, executive secretary, unit supervisors, occupational 	

Evaluation Item	Implementation Status			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
	Yes	No	Description	
(IV) Does the company provide its employees with career development and training sessions?	V		<p>safety and health personnel, occupational health nurses and more than one-third of employee representatives. The committee convenes regular meetings every three months.</p> <p>6. In 2022, there was 1 case of occupational accident and 1 injured person, accounting for 0.01% of the total number of employees. In accordance with the ISO 45000 procedure, we proposed an accident investigation form for occupational accidents and made preventive improvements to prevent incidents from happening again.</p> <p>(IV) The Company upholds the philosophy that employees are the valuable assets of the Company, attaches importance to the career development of employees and provides a sound education and training system. The Company passed the certification of "Talent Quality Management System" (TTQS) of the Ministry of Labor. In addition to the annual planning of professional training courses, we also planned courses according to the functional needs of employees.</p>	
(V) Does the Company's product and service comply with related regulations and international rules for customers' health and safety, privacy, sales, labeling and set policies to protect consumers' rights and consumer appeal procedures?	V		<p>(V) The Company's business philosophy is to insist on "quality first, customer oriented" objective. The Company passed the ISO 9000 system quality certification. To effectively deal with the feedback regarding customer dissatisfaction or related customer complaints, the Company established a sales service unit to serve customers, timely and effectively improve the handling of customer complaints and other dissatisfaction issues to provide them with comprehensive services, thus satisfying their needs and protecting customer privacy by abiding by relevant laws and regulations enacted by the government.</p>	

Evaluation Item	Implementation Status			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
	Yes	No	Description	
(VI) Has the Company established the supplier management policies requesting suppliers to comply with relevant laws and regulations related to environmental protection, occupational safety and health or labor rights and supervised its implementation?	V		(VI) In order to effectively control the quality of suppliers and to provide raw materials on time without affecting production, we formulated supplier management rules and regulations. In accordance with occupational safety and health system regulations, we are required to provide safety regulations and certification information before issuing purchase orders.	
V. Does the Company refer to internationally-used standards or guidelines for the preparation of reports such as sustainability reports to disclose non-financial information? Are the reports certified or assured by a third-party accreditation body?		V	We will plan to prepare a sustainability report in accordance with the GRI Guidelines and the core options of the GRI Guidelines. The report must include, at a minimum, information on the nature of the organization, significant topics, their associated impacts, and how the impacts are managed.	Strengthen disclosure of relevant sustainable development through the development of future systems. The 2022 Sustainability Report is expected to be completed by June 2023.
<p>VI. If the company has established sustainable development best-practice principles based on the "Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies," describe the implementation and any deviations from such principles: In January 2022, the Company formulated the "CSR Manual", which specifies the components of "Environmental Management", "Occupational Safety Management", "Public Area and Dormitory Hygiene Management", "Corporate Employment and Governance", "Employee Health and Safety", "Anti-Workplace Violence and Sexual Harassment", and "Management of Business Ethics and Compliance", etc. We will follow the GRI Guidelines and comply with the core options of the GRI Guidelines. The core options of the GRI require companies to include at least information about the nature of the organization, material topics, and their related impacts and how the impacts are managed.</p>				
<p>VII. Other important information to facilitate a better understanding of promoting sustainable development: it is expected to apply for ISO 14064 certification by the end of October 2023.</p>				

(VI) Corporate observance of ethical business practices and deviation from the Ethical Corporate Management Best-Practice Principles for the TWSE/GTSM Listed Companies and reasons thereof:

Evaluation Item	Implementation Status			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
	Yes	No	Description	
<p>I. Establishment of ethical corporate management policies and programs</p> <p>(I) Has the Company established the ethical corporate management policies approved by the Board of Directors and specified in its rules and external documents the ethical corporate management policies and practices and the commitment of the Board of Directors and senior management to rigorous and thorough implementation of such policies?</p> <p>(II) Does the company establish a risk assessment mechanism against unethical conduct, analyze and assess on a regular basis business activities within its business scope which are at a higher risk of being involved in unethical conduct, and establish prevention programs accordingly, which shall at least include those specified in Paragraph 2, Article 7 of the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies"?</p> <p>(III) Has the Company provided any solutions to prevent the unethical conducts, stipulate the definite procedures, conduct guidelines, punishment for violation as well as appeals system and put into practice, and review and revise on a regular basis the aforesaid solutions?</p>	V		<p>(I) The Company has passed "Ethical Corporate Management Best-Practice Principles" by board resolutions on April 22, 2015 and disclosed them on the company website. Board members exercise supervision over businesses based on integrity internally and integrity and mutual benefit externally.</p> <p>(II) The Company developed "Procedures and Behavioral Guidelines of Ethical Corporate Management" by board resolutions on April 22, 2015, specifying prohibitions against the following: offering or acceptance of improper benefits, providing or promising facilitation charges, unethical practices such as revealing business secrets and causing harm to stakeholders. Preventive measures and educational training have been adopted to implement the ethical corporate management policies.</p> <p>(III) Employees should comply with good faith principle, relevant regulations and work rules for employees, which are published on the internal website.</p>	No significant deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies.
<p>II. Fulfillment of ethical corporate management</p> <p>(I) Does the company evaluate business partners' ethical records and include ethics-related clauses in business contracts?</p> <p>(II) Has the Company set up a dedicated unit under the Board of</p>	V		<p>(I) The Company has established an appraisal mechanism for its customers and manufacturers. Rights and obligations for the parties are also clearly stipulated in the contracts..</p> <p>(II) Although responsible units are not specified, the audit</p>	No significant deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies.

Evaluation Item	Implementation Status			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
	Yes	No	Description	
<p>Directors to promote ethical corporate management and regularly (at least once every year) report to the Board of Directors the implementation of the ethical corporate management policies and prevention programs against unethical conduct?</p> <p>(III) Has the Company established policies to prevent conflicts of interest, provide appropriate communication channels, and implement them accordingly?</p> <p>(IV) Does the company establish effective accounting systems and internal control systems to implement ethical corporate management, with the internal audit unit being responsible for devising relevant audit plans based on the results of assessment of any unethical conduct risk, examining accordingly the compliance with the prevention programs, or engaging a certified public accountant to carry out the audit?</p> <p>(V) Does the company regularly hold internal and external educational trainings on operational integrity?</p>	V		<p>office may report to board members anytime, since ethical corporate management is a key audit item.</p> <p>(III) In case of conflicts of interest, the Company's employees can report to department supervisors or report directly to the audit office.</p> <p>(IV) The Company has established effective accounting systems and internal control systems, which are audited by internal auditors regularly and audited and certified by CPAs yearly.</p> <p>(V) The Company advocates corporate social responsibility in meetings and occupational training courses; employees should be rewarded for promoting corporate social responsibility and punished for violating corporate social responsibility.</p>	
<p>III. Operation of the whistle-blowing system</p> <p>(I) Does the Company establish both a reporting and reward/punishment system and a reporting hotline? Can the accused be reached by an appropriate person for follow-up?</p> <p>(II) Has the Company established the standard operating procedures for investigating reported misconduct, follow-up measures to be adopted after the investigation, and related confidentiality mechanisms?</p> <p>(III) Does the Company provide proper whistleblower protection?</p>	V		<p>(I) Employees are allowed to report any ethical irregularities through either phone or letter, and the report can be handled by the audit office and the general manager's office.</p> <p>(II) Different measures will be adopted according to matter of the report and the priority of the unit or person being reported.</p> <p>(III) Anonymous methods can be adopted, such as not mentioning information of the informant during the checking process.</p>	No significant deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies.
<p>IV. Enhanced disclosure of ethical corporate management information</p> <p>Does the company disclose the ethical corporate</p>	V		The Company has established a website to disclose relevant information.	No significant deviations from the Ethical Corporate Management Best Practice

Evaluation Item	Implementation Status			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
	Yes	No	Description	
management policies and the results of its implementation on the company website and MOPS?				Principles for TWSE/TPEX Listed Companies.
V. If the Company has established the ethical corporate management policies based on the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies, please describe any discrepancy between the policies and their implementation. The Company has established "Ethical Corporate Management Best-Practice Principles" to maintain enterprise culture of ethical corporate management and sound development. There are no deviations between practical situation and the Ethical Corporate Management Best-Practice Principles.				
VI. Other important information to facilitate better understanding of the Company's ethical corporate management (e.g., review of and amendments to ethical corporate management policies)				

(VII) Develop corporate governance principles and relevant regulations: The Company has developed 1) Corporate Governance Best-practice Principles 2) Ethical Corporate Management Best-Practice Principles 3) Procedures and Behavioral Guidelines of Ethical Corporate Management 4) Corporate Social Responsibility Best-Practice Principles and uploaded them to the Company's website for investor's query.

(VIII) Other Information Provides a Better Understanding of the Company's Corporate Governance Status: None

(IX) Status of Internal Control System

1. Statement of Internal Control System

Tung Ho Textile Corp.

Statement of Internal Control

Date: March 15, 2023

The Company hereby states the results of the self-evaluation of the internal control system for 2022 as follows:

- I. The Company acknowledges that it is the responsibility of the Board of Directors and managerial officers to establish, implement, and maintain the established internal control system. Its purpose is to reasonably ensure that operational effectiveness and efficiency (including income, performance, and asset safety) and reporting are reliable, timely, and transparent, as well as to ensure compliance with relevant regulations and laws.
- II. An internal control system has inherent limitations. No matter how perfectly designed, an effective internal control system can provide only reasonable assurance of accomplishing its 3 stated objectives above. Moreover, the effectiveness of an internal control system may be subject to changes due to extenuating circumstances beyond control. Nevertheless, the internal control system contains self-monitoring mechanisms, and the Company takes immediate remedial actions in response to any identified deficiencies.
- III. The Company evaluates the design and operating effectiveness of the internal control system based on the criteria provided in the "Regulations Governing the Establishment of Internal Control Systems by Public Companies" (herein below, the "Regulations"). The criteria adopted by the Regulations identify 5 components of internal control based on the process of management control: 1. control environment; 2. risk assessment; 3. control activities; 4. information and communication; and 5. monitoring operations. Each key component includes several items. Please refer to the Regulations for the aforementioned items.
- IV. The Company has adopted the aforesaid criteria for the internal control system and evaluated the design and operating effectiveness of the internal control system according to the Regulations.
- V. Based on the results of the determination in the preceding paragraph, the Company is of the opinion that, as of December 31, 2021, the internal control system (including the supervision and management of subsidiaries), including the design and implementation of the internal control system relating to the effectiveness and efficiency of the operations, reliability, timeliness, and transparency of reporting, and compliance with applicable laws and regulations, is effective and can reasonably assure the achievement of the foregoing goals.
- VI. This statement is an integral part of the Company's annual report and prospectus and will be made public. Any falsehood, concealment, or other illegality in the content made public will entail legal liability under Articles 20, 32, 171, and 174 of the Securities and Exchange Act.
- VII. This statement was approved by the Board of Directors on March 15, 2023, and none of the seven Directors in attendance objected to it and all consented to the content expressed in this statement.

Tung Ho Textile Corp.
Chairman TSAI, SUI-YING
President CHANG, CHIA-HENG

2. If a CPA has been hired to carry out a special audit of the internal control system, the CPA audit report shall be disclosed: None.

(X) Penalties Imposed upon the Company and its Employees According to Law, Penalties Imposed by the Company upon Employees for the Violation of the Internal Control System Policy, Principal Deficiencies, and Improvement Status during the Most Recent Fiscal Year and during the Current Fiscal Year up to the Date of Publication of the Annual Report: None.

(XI) Major Resolutions of Shareholders' Meeting and Board Meetings during the Most Recent Fiscal Year and during the Current Fiscal Year up to the Date of Publication of the Annual Report:

1. 2022 Major Resolutions of Shareholders' Meeting and Implementation Status:

- (1) Ratification of the Company's 2021 Business Report and Financial Statements.
- (2) Ratification of the Company's 2021 profit distribution plan.
Ex-dividend date was set on July 18, 2022 and dividend has been fully paid in accordance with the resolution made at the shareholders' meeting on August 5, 2022. (Cash dividend per share is NT\$0.538)
- (3) Adopted the amendment to the "Articles of Incorporation".
On July 12, 2022, it was approved by the Ministry of Economic Affairs to be registered and announced on the website of the Company.
- (4) Election of the 37th session of directors (including Independent Directors)
Elected Directors: representative of YUH SHUEN INVESTMENT& DEVELOPMENT CO.,LTD: TSAI, SUI-YING, CHENG, CHIH-WEN, TSAI,FU-JEN, and CHANG,CHIA-HENG.
Elected Independent Directors: HWANG, JIN-FA, LIN, CHANG-HSIUNG, and CHEN, CHENG-KENG.
On July 12, 2022, it was approved by the Ministry of Economic Affairs to be registered and announced on the website of the Company.

2. Important resolutions adopted by the Board of Directors in 2022 and up to March, 2023:

Board of Directors	Contents of Major Resolutions
2022.03.15 The 14th meeting of the 36 session	1. Ratification of 2021 Annual Financial Report. 2. Issued the statement on the design and operating effectiveness of internal control system based on the self-evaluation results of the 2021 internal control system. 3. Approved the date, venue and reason of convening of the Company's 2022 general shareholders meeting.
2022.04.29 The 15th meeting of the	1. Passed the proposal on the review of the CPA's professional fees.

Board of Directors	Contents of Major Resolutions
36th session	<ol style="list-style-type: none"> 2. Passed the Financial Report for the first quarter of 2022. 3. Passed 2021 profit distribution plan. 4. Passed matters concerning ex-dividend base date set upon the Chairman's authorization and sole discretion of cash dividends distribution. 5. Passed the convention of the 2022 general shareholders' meeting.
2022.06.17 The 1st meeting of the 37th session	Passed the appointment of the 5th session of the members of the Remuneration Committee of the Company.
2022.08.09 The 2nd meeting of the 37th session.	<ol style="list-style-type: none"> 1. Passed the consolidated financial statements for the second quarter of 2022. 2. Passed the further employment of the retired president
2022.11.09 The 3rd meeting of the 37th session	<ol style="list-style-type: none"> 1. Passed the proposal about the consolidated financial statements for the third quarter of 2022. 2. Passed 2023 annual audit plan.
2023.03.15 The 4th meeting of the 37th session	<ol style="list-style-type: none"> 1. Passed the proposal on the 2022 annual financial report. 2. Issued the statement on the design and operating effectiveness of internal control system based on the self-evaluation results of the 2022 internal control system. 3. Approved the date, venue and reason of convening of the Company's 2023 general shareholders meeting. 4. Passed the proposal on the review of the CPA's professional fees. 5. Ratification of the Company's 2022 profit distribution plan. 6. Passed matters concerning ex-dividend base date set upon the Chairman's authorization and sole discretion of cash dividends distribution.

(XII) Recorded or written statements made by any director which specified dissent to important resolutions passed by the board of directors during the most recent year and up to the date of publication of this annual report: None

(XIII) A Summary of Resignations and Dismissals of the Chairman, President, Accounting Manager, Financial Manager, Chief Internal Auditor, or Research and Development Officer during the Most Recent Fiscal Year and during the Current Fiscal Year up to the Date of Publication of the Annual Report: None.

V. Information on CPA professional Fees

(I) Information on CPA professional Fees

Unit: NT\$1,000

Name of CPA Firm	Name of CPA		Audit Period	Audit Fees	Non-audit Fees (Note)	Remarks
Deloitte & Touche	HSIEH, TUNG-JU	LIU, MING-HSIEN	From January 1 to December 31, 2022	1,500	300	

Note: Non-audit fees include tax certification, non-supervisor salary reporting information certification, and direct deduction method for business tax certification.

(II) Replacement of CPA firm and the audit fees for the year of the change less that of the previous year, and the amount of audit fees before and after the change, and reasons for the change:

None

(III) Audit fees were 15% less than that of the previous year: None.

VI. Information on Replacement of CPAs:

(I) Former CPAs

Date of Replacement	March 4, 2022		
Replacement Reasons and Explanations	In accordance with the internal restructuring of the CPAs firm of Deloitte & Touche, the CPAs of the financial statements have been changed from CPA HSIEH, TUNG-JU and CPA CHAO, YUNG-HSIANG to CPA HSIEH, TUNG-JU and CPA LIU, MING-HSIEN with effect from the first quarter of 2022.		
Termination by the Company or the CPAs	Condition	CPA	Client
	Party		
	Termination by the Company	N/A	N/A
	Termination by the CPAs	N/A	N/A
Opinions (Other than Unmodified Opinions) in the Past 2 Years and Reasons	None.		
Deviation form the Issuer	Yes		Accounting principles or practices
			Disclosure of financial statements
			Audit scope or steps
			Others
	None	V	

	Description: N/A
Additional Disclosures (under Items 1-4 to 1-7, Subparagraph 6, Article 10 of the Guidelines)	None.

(II) Successive CPAs

Name of CPA Firm	Deloitte & Touche
Name of CPA	CPA HSIEH,TUNG-JU and CPA LIU,MING-HSIEN
Date of Appointment	March 4, 2022
Inquiries into Accounting Treatments or Principles for Specific Transactions and Possible Opinions on Financial Statements before Appointment	None.
Succeeding CPA's written opinion of disagreement toward the former CPA	None.

(III) Former CPAs' Reply to Disclosures under Items 1 and 2-3, Subparagraph 6, Article 10 of the Guidelines: None

VII. The Company's Chairman, Presidents, or Accounting Officers hold any positions in the Company's CPA firm or its affiliates in the most recent year: None.

VIII. Any Transfer of Equity Interests and/or Pledge of or Change in Equity Interests (during the Most Recent Fiscal Year and during the Current Fiscal Year Up to the Date of Publication of the Annual Report) by a Director, Managerial Officer, or Shareholder with a Stake of More than 10%:

Title	Name	2022		As of April 14, 2023	
		Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)
Chairman	YUH SHUEN INVESTMENT & DEVELOPMENT CO., LTD Representative: TSAI, SUI-YING	-	-	-	-
Vice Chairman	YUH SHUEN INVESTMENT & DEVELOPMENT CO., LTD				

Title	Name	2022		As of April 14, 2023	
		Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)
	Representative: CHENG, CHIH-WEN				
Director	YUH SHUEN INVESTMENT & DEVELOPMENT CO., LTD Representative: TSAI, FU-JEN				
Director	YUH SHUEN INVESTMENT & DEVELOPMENT CO., LTD Representative: CHANG, CHIA-HENG				
More-than-10% shareholder	YUH SHUEN INVESTMENT & DEVELOPMENT CO., LTD				
Independent Director	LIN, CHANG-HSIUNG	-	-	-	-
Independent Director	CHEN, CHENG-KENG	-	-	-	-
Independent Director	HWANG, JIN-FA	-	-	-	-
President	CHANG, CHIA-HENG	-	-	-	-
Special Assistant of Chairman	CHENG, PO-JEN	6,000	-	-	-
Vice President	LEE, CHIH-HUNG	-	-	-	-
Concurrent Appointment as Chief of Accounting Dept. & Finance Dept.	KUO, YEN-LIANG	-	-	-	-
More-than-10% shareholder	FENGTAR FULI INDUSTRY CO., LTD.	2,126,000	-	19,000	-
More-than-10% shareholder	LIN, KAO-HUANG (Date of appointment: April 20, 2021)	-	-	-	-

The counterparty of the equity transfer is a related party: None.

The counterparty of the equity pledge is a related party: None.

IX. Relationship among the Top 10 Shareholders:

April 14, 2023

Name (Note 1)	Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominees		Information on top 10 shareholders in proportion of shareholdings, who are related to one another or spouse, or are kin at the second tier under the Civil Code related to one another, their names and relationship (Note 3)		Remarks
	Number of Shares	Shareholding ratio (%)	Number of Shares	Shareholding ratio (%)	Number of Shares	Shareholding ratio (%)	Designation (or Name)	Relationship	
FENGTAR FULI INDUSTRY CO., LTD.	36,848,074	16.75	-	-	-	-	YUH SHUEN INVESTMENT & DEVELOPMENT CO., LTD SHING HO INVESTMENT & DEVELOPMENT CO., LTD SHING HO CONSTRUCTION CO., LTD	The same Chairman	
Representative: TSAI, SUI-YING	3,002,943	1.36	-	-	-	-	CHENG, CHIH-WEN	Mother and son	
YUH SHUEN INVESTMENT & DEVELOPMENT CO., LTD	28,000,626	12.73	-	-	-	-	FENGTAR FULI INDUSTRY CO., LTD. SHING HO INVESTMENT & DEVELOPMENT CO., LTD SHING HO CONSTRUCTION CO., LTD	The same Chairman	
Representative: TSAI, SUI-YING	3,002,943	1.36	-	-	-	-	CHENG, CHIH-WEN	Mother and son	
LIN, KAO-HUANG	22,234,000	10.11	-	-	-	-	Liancheng Investment and Development Corp.	The same Chairman	
TUNG QUE INDUSTRIAL CO., LTD	16,118,062	7.33	-	-	-	-	—	—	
Representative: CHENG, CHIH-WEN	10,926,160	4.97	-	-	-	-	TSAI, SUI-YING	Mother and son	
SHING HO CONSTRUCTION CO., LTD	11,029,723	5.01	-	-	-	-	FENGTAR FULI INDUSTRY CO., LTD. YUH SHUEN INVESTMENT & DEVELOPMENT CO., LTD SHING HO INVESTMENT & DEVELOPMENT CO., LTD	The same Chairman	

Name (Note 1)	Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominees		Information on top 10 shareholders in proportion of shareholdings, who are related to one another or spouse, or are kin at the second tier under the Civil Code related to one another, their names and relationship (Note 3)		Remarks
	Number of Shares	Shareholding ratio (%)	Number of Shares	Shareholding ratio (%)	Number of Shares	Shareholding ratio (%)	Designation (or Name)	Relationship	
Representative: TSAI, SUI-YING	3,002,943	1.36	-	-	-	-	CHENG, CHIH-WEN	Mother and son	
CHENG, CHIH-WEN	10,926,160	4.97	-	-	-	-	TSAI, SUI-YING	Mother and son	
Liancheng Investment and Development Corp.	10,811,000	4.91	-	-	-	-	LIN, KAO-HUAN G	The same Chairman	
Representative: LIN, KAO-HUANG	22,234,000	10.11	-	-	-	-	-	-	
LIN, CHING-HANG	9,270,000	4.21	-	-	-	-	LIN, KAO-HUAN G	Father and son	
LIU, CHEN-HSIEN	4,165,000	1.89	-	-	-	-	-	-	
CHEN, HSUEH-LING	4,084,000	1.86							

Note 1. The top ten shareholders shall be presented (in the case of corporate shareholders, the corporate shareholders' names and representatives' names shall be represented).

Note 2. The ratio of shareholding is calculated in terms of own shareholdings, shares held by spouse & children under age or shareholdings under the title of a third party.

Note 3. Relationship between the aforementioned shareholders (including juristic and natural persons) shall be disclosed according to Regulations Governing the Preparation of Financial Reports by Securities Issuers.

X. Total Number of Shares Held for the Same Re-investment by the Company, Its Directors and Supervisors, Managers, and Any Companies Controlled Either Directly or Indirectly by the Company: None.

Chapter 4. Capital Overview

I. Capital and Shares

(I) Share Type and Capital Formation Course

1. Capital source:

Unit: NT\$; share April 14, 2023

Year/Month	Par Value	Authorized Capital		Paid-in Capital		Remarks		
		Number of Shares	Amount	Number of Shares	Amount	Source of Capital	Capital Increase by Assets Other than Cash	Others
2003.08	10	360,000,000	3,600,000,000	220,000,000	2,200,000,000	Cash	-	-

Share Type	Authorized Capital			Remarks
	Outstanding Shares (Issued)	Unissued Shares	Total	
Registered Common Shares	220,000,000	140,000,000	360,000,000	

2. Information for Shelf Registration System: None.

(II) Shareholder structure

April 14, 2023

Shareholder structure Item	Government Agencies	Financial Institutions	Other Institutional Shareholders	Foreign Institutions and Natural Persons	Domestic Natural Persons	Total
Number of shareholders	0	4	161	64	44,141	44,370
Shares Held	0	4,463	108,065,466	1,170,762	110,759,309	220,000,000
Percentage of Ownership	0.00%	0.00%	49.12%	0.53%	50.35%	100.00%

(III) Distribution of Shares

1. Common Shares

Unit: person; share April 14, 2023

Range of Shares	Number of Shareholders	Shares Held	Percentage of Ownership
1~999	37,100	3,401,990	1.55%
1,000~5,000	5,866	11,804,193	5.37%
5,001~10,000	774	6,167,697	2.80%
10,001~15,000	188	2,383,337	1.08%
15,001~20,000	146	2,765,018	1.26%
20,001~30,000	101	2,612,642	1.19%
30,001~40,000	47	1,699,925	0.77%
40,001~50,000	24	1,128,110	0.51%
50,001~100,000	52	3,734,084	1.70%
100,001~200,000	29	3,871,072	1.76%
200,001~400,000	10	2,675,819	1.22%
400,001~600,000	8	3,895,000	1.77%

Range of Shares	Number of Shareholders	Shares Held	Percentage of Ownership
600,001~800,000	5	3,718,556	1.69%
800,001~1,000,000	1	1,000,000	0.45%
1,000,001 and above	19	169,142,557	76.88%
Total	44,370	220,000,000	100.00%

2. Preferred stock: None.

(IV) The list of major shareholders: includes shareholders with 5% or more share ownership and/or the top 10 largest shareholders. Please refer to "IX. Relationship among the Top 10 Shareholders" on page 53.

(V) Information on market value, net value, earnings and dividends per share

Unit: NT\$; share; %

Item	Year		2021	2022
Market Price Per Share	The highest		25.00	19.50
	The lowest		11.20	15.40
	The average		16.46	17.46
Net Worth per Share	Before distribution		14.61	14.11
	After distribution		14.07	13.79
Earnings per Share	Weighted Average Shares		220,000,000	220,000,000
	Earnings per Share		0.65	0.47
Dividends Per Share	Cash dividends		0.538	0.32(Note 2)
	Stock dividends	-	-	-
		-	-	-
	Accumulated unpaid dividends		-	-
Investment return analysis	Price/Earnings Ratio		25.32	37.15
	Price/Dividend Ratio		30.59	54.56
	Cash Dividends Yield		3.27%	1.83%

Note 1. Financial report audited by the CPAs.

Note 2. Adopted by the Board of Directors through the special resolution dated March 15, 2023.

(VI) Dividends policy and Implementation Status

1. Dividends Policy

Dividends Policy of the Company is indicated in Article 39 of the Articles of Incorporations as follows:

The Company is a mature and highly competitive traditional industry and adopts residual dividend policy under the condition of shareholder benefit and company growth.

(1) Dividend distribution condition and opportunity: The Company, if there are earnings after final settlement every year, should pay taxes according to law, cover the losses of the previous years, and distribute above 75% of dividends to shareholders after 10% of legal surplus is withdrawn and special earned surplus is withdrawn or transferred according to law.

- (2) Dividend limit: To meet operation needs and stabilize yearly dividends, dividends distributed should be no more than 60% of distributable profit.
- (3) Dividend type: According to budget plan and dilution of earnings per share, dividends distributed yearly should be stock dividends or cash dividends.

The aforesaid dividend distribution conditions and opportunities, limit and type are subject to the principles only. The Company should determine the optimal dividend policy according to practical situation and in consideration of the budget plan of the next year.

2. Dividend Distribution:

If, subject to Paragraph 2, Article 39 of the Articles of Incorporation, the Company authorizes more than two-thirds of the directors present and a resolution is adopted by more than half of the directors thereat in accordance with Paragraph 5 of Article 240, the distribution of all or part of the dividends and bonus in cash according to Subparagraph 3 of the preceding paragraph, which shall be then reported to the shareholders' meeting; provided, however, that it need not be submitted to the shareholders' general meeting for approval. In case of distributing in the form of issuing new shares, it is required to be resolved by the shareholders' meeting before distribution.

- (1) Cash dividends: Cash dividends of NT\$70,400,000 are withdrawn from undistributed profit and distributed to shareholders, 0.32 NT\$/share.
- (2) Upon the Company's special resolution of the 4th Board directors of the 37th session on March 15, 2023, the Chairman was authorized to otherwise set an ex-dividend base date, a distribution date and other related issues, which shall be then reported to the 2023 annual shareholders' general meeting for approval.

(VII) Effect of allocation of Free-Gratis Dividends proposed at the shareholders' meeting on the operational performance of the Company and the Earnings Per Share: None.

(VIII) Remuneration of Employees and Directors:

1. Percentage or range of the remuneration of employees and directors as set forth in the Articles of Incorporation:

Employee and director compensation is set forth in 38-1 of the company's Articles of Incorporation as follows:

The Company shall distribute 1% to 15% of the current year's profit for employee remuneration and no more than 5% of the current year's profit for the remuneration to Supervisors, but the Company should cover the losses, if any.

The earnings in the preceding paragraph mean the annual pre-tax earnings before deduction of the remuneration to employees and directors.

Proposals of distributions to employees and directors shall be taken to the shareholders' meeting for approval after the resolution is reached by a majority of the Board with two thirds in attendance.

The distribution can be made in the form of cash or stocks for employees.

2. The Basis of the Estimate of Compensation to Employees and Directors, the Basis of Calculating Number of Shares where Stock Bonuses are Paid, as well as Accounting Treatment in Case of Deviation between the Amount of Actual Payment and the Estimate:

Where there is a significant change in the payment resolved by the Board of Directors after the end of the year, the change will be subject to the adjustment of previous annual expenses. As of the resolution date of the shareholders' meeting, if there is still a change in the amount, it shall be taken as a change in accounting estimate, and adjusted and recorded in the year of the resolution of the shareholders' meeting.

3. Distribution of Compensation to Employees Recommended by the Board:
 - (1) The amount of any employee compensation distributed in cash or stocks and compensation for directors. If there is any discrepancy between that amount and the estimated figure for the fiscal year these expenses are recognized, the discrepancy, its cause, and the status of treatment shall be disclosed:

On April 28, 2023, the Board of Directors resolved to approve the 2022 distribution of remuneration paid to employees and directors, specifying that the Company scheduled to distribute in cash 2022 annual remuneration paid to employees and directors at

NT\$4,636,434 and NT\$3,311,738 respectively, which shall be reported to the 2023 annual shareholders' general meeting.

Where there is a discrepancy between the amount of the proposed distribution above and the amount of estimated expenses for 2022, the estimated change shall prevail.

- (2) Proposed employees' stock compensation in percentage of after-tax earnings and total employee bonus in current period: None.
4. The actual distribution of employee and director compensation for the previous fiscal year, with an indication of the number of shares, monetary amount, and stock price, and, if there is any discrepancy between the actual distribution and the recognized employee or director compensation, additionally the discrepancy, cause, and how it is treated: None.

The Company's 2021 distribution paid to employees and directors have been approved by the shareholders' meeting on June 17, 2022, that is, NT\$4,188,483 and NT\$4,188,483, respectively, which shows no difference from those in the 2021 financial statements.

(IX) Shares bought back during the Most Recent Fiscal Year and up to the Date of Publication of the Annual Report: None.

II. Corporate Bonds: None.

III. Preferred Shares: None.

IV. Global Depository Receipts (GDRs): None.

V. Employee Stock Options: None.

VI. Employee Restricted Stock: None.

VII. Mergers and Acquisitions, or as Assignee of New Shares Issued by Another Company: None.

VIII. Implementation of Capital Utilization Plan

(I) Description of Plans:

For the period as of the quarter preceding the date of publication of the Annual Report, with respect to each uncompleted public issue or private placement of securities, and to such issues and placements that were completed in the most recent 3 years but have not yet fully yielded the planned benefits: None.

(II) Implementation Status:

The comparison between the usage, the implementation and the preceding plans: None.

Chapter 5. Operational Highlights

I. Business Activities

(I) Scope of Business

1. The business to be operated by the Company is as follows:
 - (1) C302010 Weaving of Textiles
 - (2) C303010 Non-woven Fabrics Mills
 - (3) F401010 International Trade.
 - (4) C301010 Yarn spinning.
 - (5) C801120 Artificial fiber manufacturing.
 - (6) A401010 Livestock Farm Management.
 - (7) H701020 Industrial plant development and lease.
 - (8) H701040 Specific specialized zone development.
 - (9) F209060 Retail Sale of Culture, Education, Musical Instruments and Educational Entertainment Supplies.
 - (10) F203010 Retail sale of Food Products and Groceries.
 - (11) F203020 Tobacco and wine retail industry.
 - (12) F501060 Restaurants.
 - (13) F501030 Beverage stores.
 - (14) F501050 Hotels industry.
 - (15) F601010 Intellectual property rights services.
 - (16) I102010 Investment consulting.
 - (17) J701020 Amusement park.
 - (18) J601010 Arts and Literature Service.
 - (19) J801030 Athletics and Recreational Sports Stadium.
 - (20) JB01010 Conference and Exhibition Services.
 - (21) G801010 Warehousing industry.
 - (22) H703100 Real Estate Leasing.
 - (23) H701010 Residence and buildings development and lease.
 - (24) H701050 Investment in public works.
 - (25) IZ06010 Cargoes packaging.
 - (26) ZZ99999 All business items that are not prohibited or restricted by law, except those that are subject to special approval.
2. Major products and sales mix:

Unit: NT\$1,000

Item	Sales in 2022	Proportion to Net Sales for the Year (%)
Blended yarn	560,983	81.43
Rental income	127,811	18.55
Others	149	0.02
Total	688,943	100.00

3. Main Products:

- (1) Regularly planned products: Drirelease series yarn, Recycle PET, organic cotton, T/Tencel blended yarn series, eco-friendly T/Tencel blended yarn series, SIRO+Compact SPUN series.
- (2) Main products of special yarn materials: Cross absorbing T/C blended yarn, UMORFIL/Tencel blended yarn, anti-pilling and absorbing yarn series, A/R blended yarn, T/CD blended yarn, zinc oxide antibacterial blended yarn, bamboo fiber blended yarn, T/Wool blended yarn, bamboo charcoal blended yarn, and environmental protection series products.
- (3) Special raw material products for specific customers: PTFE/T blended yarn, SORONA/T blended yarn, Refibra blended yarn series, XT2, graphite, 97.6, seaweed blended yarn series, fever blended yarn, flame retardant series, flax, hemp blended series, etc., combined with SIRO, Compact, SIRO+Compact, SIRO-Fuse, Slub method production.



4. New commodities planned to be developed:

- (1) Waste textile product recycled yarn: In order to achieve full recycling of waste textile products, we optimize spinning technology and implement refined single spindle management to successfully produce unique and sustainable special yarn and gradually realize the goal of full recycling. At the same time, through special and precise spinning conditions and management, we can also increase the gross profit and create added value for customers.

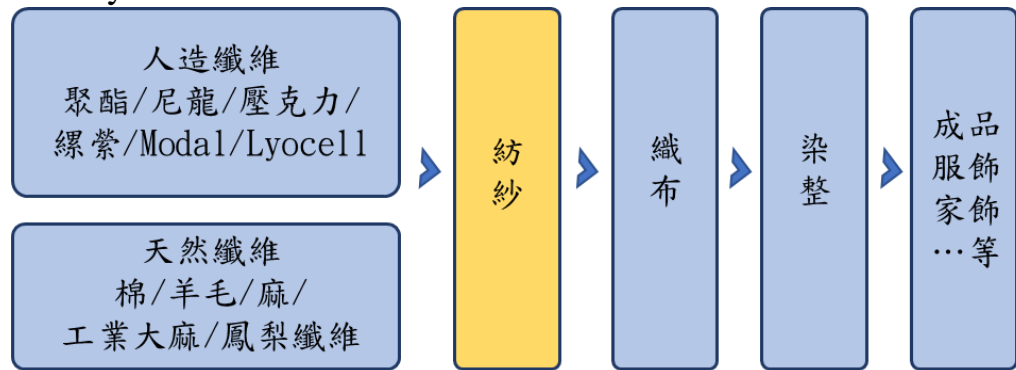
- (2) Anti-see-through/sweat-stained invisible functional yarn: TIO₂ was added to the fiber to enable the fabric surface with light-colored scattered light, thus lowering the visual color difference caused by the fabric's water reflection and achieving the see-through effect.
- (3) Double principal constituent false-elastic blended yarn: it was originally intended to replace the SPANDEX fiber that cannot be decomposed. Using different shrinkage polymers to be spirally crimped after heating, it is able to create excellent elasticity and recovery.

(II) Overview of the Industry:

1. Current Status and Development of the Industry

- (1) Current industrial status: High prices affected the real purchasing power of consumers. In 2023, the inventory adjustment will be the key. Due to the high oil price in 2022, the cost of artificial fiber raw materials increased, resulting in a decline in purchasing power. The only way to recover the economy is to see the oil price to fall back and improve inflation. The demand for functional apparel is however still high.
- (2) Taiwan's textile enterprises are facing the urgent need for transformation, and different manufacturers are nothing more than using the conversion of product structure, optimization of production process, and even opening up sideline businesses to seek vitality, whether it is the supply market (the rise and threat of fast fashion), the labor market (the shortage of workers brought about by wage rise), or the policies.
- (3) Transformation of industry environment:
In terms of low-carbon transformation and circular economy, we plan to achieve the goal of net zero carbon emission in 2050, digital transformation in the post-pandemic era, comprehensive digitalization from development and production to operation management, advanced transformation and cross-industry integration, as well as the establishment of new niche markets.

2. Correlation between Upstream, Midstream, and Downstream of the Industry



3. Various development trends and competition of products

(1) Environmentally-friendly series yarns:

- Because of the large amount of microfiber shedding during the production and washing process of textile products, which is one of the main causes of marine plastic pollution, how to avoid microfiber shedding has become the main demand of brands and customers. For this reason, we introduce degradable raw materials or optimize spinning conditions to improve yarn hairiness and help reduce microfiber shedding.
- Waste textile products are fully recycled and reproduced from process offcuts, waste cloth to waste fibers, etc., which are the major development items of recycle and reuse eager to utilized by the market. The Company is also optimizing the spinning process to overcome the disadvantages of poor physical properties of waste fibers and is moving towards the direction of full recycling of waste textiles.

(2) Special spinning process yarn:

- The competition of general yarn is fierce, and overseas imported yarn has exerted a great impact on our general yarn market. In addition to special functional raw materials, the Company is committed to introducing advanced spinning technology to optimize the spinning process, such as using conjugated filament and staple yarn to combine the strength and stiffness of filament yarn with the natural and comfortable texture of staple yarn. We can also replace the traditional spandex yarn with a false-elastic filament yarn to create a comfortable and flexible textile that can be easily recycled.

(III) Overview of Technologies and R&D Work

1. Future R&D Plan:

(1) Development of environmentally-friendly yarn materials:

- In terms of recycling and reusing raw materials: environmentally friendly and recyclable materials for textiles has become a future market trend, due to the rising awareness of environmental protection and driven by international brands. In addition to the recycled polyester yarns from continuous production of PET bottles, different kinds of materials such as pure cotton/polyester cotton/acrylic will be gradually introduced from recycled waste cloth, leftover materials and used clothes. We developed various yarn types to promote green circular economy and reduce GHG emissions at the same time.
- False-elastic fiber: this kind of material has not only the elastic effect of long-fiber OP elastic yarn, but is a decomposable material. This environmentally friendly raw material can replace the non-degradable traditional OP yarns.
- Plant fiber: We continued to develop various yarn types based on natural material fibers such as pineapple and hemp produced in different regions. These helped to reduce the dependence on petroleum-refined and petrochemical artificial fibers that pollute the environment and are not easy to decompose. Therefore, they met the market's demand for environmentally friendly and sustainable material products.

(2) Development of long and short staple fiber composite yarns:

Integrating the functions and advantages of long/short fiber, the long and short staple fiber yarns, as the main development items this year, have high pilling resistance and strength, and soft feel of the short fiber. We continued to develop various material combinations, proportions, and changes in matching process conditions. Finally, we created differentiated and functional high-value-added products.

(3) Development of long-knot length injection satin colored yarns:

Currently, satin colored yarns dominate the market with short knot lengths. We developed long knot-length weave for differentiation that is different from the satin color effect in the market. We also matched anti-pilling raw materials to improve the anti-pilling level.

(4) Process Optimization and Quality Improvement:

- The current market requirement and demand for low fineness raw material yarn and quality grades such as cotton pellets on fabric are increasing day by day. Through the big data from the knowledge management system, we used management statistics to carry out in-depth analysis on the key factors affecting quality, further tested, adjusted, and constructed the most suitable spinning components to improve the overall quality to meet customers' needs.

- We spared no effort to develop general CVCC/TCC series yarns with low hairiness equipment to reduce hairiness, improve quality and eliminate waxing and other problems.

2. R&D expense in the most recent fiscal year:

Unit: NT\$1,000

Year	2021	2022
Amount	12,991	12,010

3. The following research and development projects were successfully developed in 2022:

(1) Development of low-carbon series yarns:

In 2022, the Company passed the certification of TÜ V Rheinland, Germany, and completed the accounting according to the ISO 14067. Certified organic cotton and recycled fibers were used, covering all links from low-carbon raw materials, clean energy to process energy saving. We accounted, calculated, and improved the processes one by one, and developed low-carbon yarn types. A typical case in this respect is organic cotton series, whose carbon emission is 1.887 CO₂e/kg compared with 4.42 CO₂e/kg of traditional CVC blended yarn, which reduced carbon emission by 57%.

(2) Development of yarn types with less fabric microfiber:

The microfibers internalized by spun yarn are one of the main sources of microplastic pollution. Our long and short fiber composite yarns can reduce the content of artificial staple fiber. In addition, process optimizations such as high twist, siro, and compact spinning all make for the reduction of fabric microfibers and increase the anti-pilling properties, thus reducing pollution to the ocean and protecting the environment.

(3) Optimization of Knowledge Management System:

- Through the "production history" and "production parameters big data" integrated in the "knowledge management system", we are able to enhance quality management and conduct in-depth study and analysis of the relationship between each parameter and quality. We identify and improve the key factors of quality control to build a competitive edge in the industry that is difficult to duplicate.
- In order to improve the quality and the efficiency of the load carriers, we continued to expand the intelligent single-spindle management system and compact our spinning equipment, and finely manage the production of single spindles.

(IV) Long-term and Short-term Business Development Plans

1. Short-term Development Plans:

Continue to strengthen the profitability and market share of our existing products and increase profitability. In response to market demand, we will expand our sales volume by expanding the export market for special blended yarn, and carefully evaluate product development to secure favorable orders.

2. Long-term Development Plans:

Continue to develop products that are both specially functional and sustainably environmentally friendly to enhance the added value and irreplaceability of our products. We will combine SIRO-WRAPPED's long and short staple fiber composite technology to link the upstream, midstream and downstream industries and closely integrate with the brand side to build an environmentally friendly image and become a key partner to the supply chain.

II. Market and Production and Marketing Situation

(I) Market Analysis:

1. Supply of Key Materials

Polyester cotton of general yarn is purchased from the domestic and South Asian markets and Japan toray, natural cotton is mainly imported from cotton producing countries such as America and Brazil, and wool is Australian merino wool.

Special yarn production raw materials, such as environmental protection polyester from domestic market and Japan, functional fiber mostly from Japan and European major manufacturers.

2. Market Supply & Demand and Growth Potential

➤ Reduction in production scale has become inevitable due to the lack of competitiveness of general yarn; continuously develop high-quality yarn to meet the need of all industries. Deeply develop such industries as household cloth, shoe material, industrial fire protection and e-commerce, hold new product launch first in May to strengthen exchange with customer, develop and promote new product long and short fiber composite yarn.

➤ In response to the market demand and trend, environmental friendly, recyclable and natural degradable products are the future trend of the market. Continuously develop functional yarn with high added value in terms of products, introduce the concepts of quality, functionality, and environmental protection, maintain industry competitiveness combined with upstream and downstream resources and create a greater profit space.

3. Future Development

The principles of sustainable priority, material innovation, recycling and reuse are what we insist on. The new business model of refurbishment and leasing of used clothes, and the transparency of the supply chain are what we strive for. We will maintain digital input, improve operational efficiency, reduce carbon footprint, boost shopping experience, accurately forecast and reduce inventory, and achieve innovation across domains. While adhering to ESG investment, we will implement risk management of climate change to meet regulations and customer needs. We will maintain our efforts in digital investment to enhance industrial resilience and reduce energy and production waste. We will also ease the problem of manpower shortage and respond quickly to demand. Efforts will be made to develop advanced materials and differentiated materials, and we will focus on the independence of key materials, the creation of new industrial chains and high-quality cross-field applications, in an attempt to expand the market.

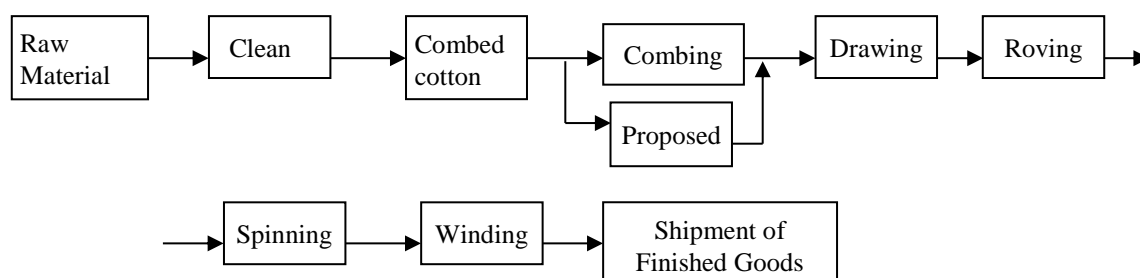
(II) Usage and Manufacturing Processes of Main Products

1. Key applications of the primary products:

General yarn, blended yarn for special spinning process: CVC, special yarn, etc.: for knitting and plain knitting.

2. Process:

Manufacturing Process of Yarn Spinning Division:



(III) Supply Situation for Major Raw Materials:

While purchasing raw materials, the Company considers not only quality, source and price, but also future supply and demand. Based on the source of goods, establish a long-term partnership with upstream and downstream reputable manufacturers. Main materials of the Company are in abundant supply instead of shortage or interruption.

Major Raw Materials	Main source	Supply
Raw cotton	USA, Brazil, and India	Good

(IV) Customers with 10% or More of Total Procurement/Distribution, Amount and Percentage in Any Given Year within the Most Recent Two Years:

1. List of Major Suppliers in the Most Recent 2 Years:

Unit: NT\$1,000

Item	2021				2022			
	Supplier name	Amount	Percent in annual net procurement (%)	Relationship with the Issuer	Supplier name	Amount	Percent in annual net procurement (%)	Relationship with the Issuer
1	Manufacturer A	139,856	36.53	None	Manufacturer A	70,965	23.59	None
2	Manufacturer B	50,128	13.09	None	Manufacturer B	58,844	19.56	None
3	Others	192,907	50.38	None	Others	170,976	56.85	None
	Net purchase	382,891	100.00		Net purchase	300,785	100.00	

Cause of Change: The Company's source of purchase is stable being that we have been maintaining good and long-term cooperative relations with major suppliers. While continuing the R&D and production of special yarns this year, we purchased goods from different suppliers according to production needs. For this reason, the proportion of supplier A decreased, while that of supplier B increased.

Note 1. For suppliers that have provided at least 10% of the gross procurement in the most recent two years, the names, procurement amount, and percentage should be stated; provided that the suppliers as stipulated in the contract.

Note 2. Major suppliers are unrelated persons, who are expressed by code in the contract.

2. Information about Major Clients in the Most Recent 2 Years

Unit: NT\$1,000

Item	2021				2022			
	Customer name	Amount	Percent in annual net sales (%)	Relationship with the Issuer	Customer name	Amount	Percent in annual net sales (%)	Relationship with the Issuer
1	Customer B	125,284	15.47	None	Customer B	97,938	17.46	None
2	Others	684,430	84.53	None	Others	463,045	82.54	None
	Net sales	809,714	100.00		Net sales	560,983	100.00	

Cause of Change: Environmental sustainability has been continuously concerned and the demand for special yarns has increased.

Note 1. For customers that have provided at least 10% of the total sales volume in the most recent two years, the names, sales amount, and percentage should be stated; provided that the customers as stipulated in the contract.

Note 2. Major suppliers are unrelated persons.

(V) Production in the most recent two years

Unit: NT\$1,000

Year	2021			2022		
	Production Capacity	Production Volume	Production Value	Production Capacity	Production Volume	Production Value
Blended yarn (Pcs.)	27,275	27,057	595,326	27,126	24,795	612,551
Others	-	-	-	-	-	-
Total	-	-	595,326	-	-	612,551

Note: roduction capacity refers to production quantity in normal operation with the current production equipment after measuring

necessary down time and holidays.

(VI) Sales of the most recent two years

Unit: NT\$1,000 (net amount)

Sales Volume/ Value	Year	2021				2022			
		Domestic Sales		Export Sales		Domestic Sales		Export Sales	
		Volume	Value	Volume	Value	Volume	Value	Volume	Value
Main Products									
Blended yarn (Pcs.)		28,040	664,059	1,273	25,042	19,758	555,866	157	5,117
Rental income		-	120,328	-	-	-	127,811	-	-
Others		-	285	-	-	-	149	-	-
Total		-	784,672	-	25,042	-	683,826	-	5,117

III. Number of Employees within the Most Recent Two Years

Year		2021	2022	As of March 15, 2023
Number of Employees	Chief Manager	4	4	4
	Manager	5	6	6
	Deputy Manager	11	11	11
	Assistant Manager	58	67	71
	Administrator	34	26	28
	Office clerk	9	4	3
	Operator	41	57	51
	Others	43	54	54
Total	205	229	228	
Average Age		43	43	43
Average Seniority		9.68	8.37	8.15
Academic distribution ratio (%)	Doctor degree	0	0	0
	Master's degree	15	7	7
	Junior college	27	34	35
	Senior high school	36	34	31
	Below high school	22	25	27

IV. Environmental Protection Expenditure

Any losses suffered by the Company in the most recent fiscal year and up to the annual report publication date due to environmental pollution incidents (including any compensation paid and any violations of environmental protection laws or regulations found in environmental inspection, specifying the disposition dates, disposition reference numbers, the articles of law violated, and the content of the dispositions), and disclosing an estimate of possible expenses that could be incurred currently and in the future and measures being or to be taken: None.

V. Labor relations

(I) Major labor-management agreements and implementation

1. Employee Benefits

- (1) As stipulated by government law, handle employee pay, labor hour, leave, health and labor protection, as well as salary adjustments and job promotions based on employee performance.
- (2) Except year-end bonus, as stipulated by the company's Articles of Incorporation, if there pre-tax benefits in yearly settlement, employee remuneration should be distributed as per the specified proportion.
- (3) The retirement pension supervision committee is set to withdrawn retirement pension and handle matters concerned as stipulated by relevant labor laws.
- (4) The Company passed the certification of "Talent Quality Management System (TTQS)" of the Ministry of Labor. Employee's superiority comes from self-improvement of knowledge and skills. Hold courses of specialized knowledge of spinning, leadership and overall planning yearly, provide employees with a benign competition platform through education and training to continuously improve themselves, and build KM knowledge management system in 2020 to carry forward, study and improve experience and skills and achieve win-win between employees and the Company.
- (5) Provide dormitory and provide employees with uniform every year.
- (6) Employee welfare committee is set to withdrawn employee welfare by proportion, handle employee welfare measures and organizes employee travel.
- (7) Distribute scholarships for employees' children.
- (8) Sign negotiated hosting and pre-school education service agreements and set up nursing rooms to meet employee's need for baby-sitting service.
- (9) Set AED in the factory to protect employee's life safety.
- (10) Set up channels to process employee complaints and protect employee rights and interests.
- (11) Set recreational facilities and fitness equipment such as karaoke, billiard ball, table tennis and badminton to make employees relaxed and relieve their pressure.
- (12) Except labor insurance, buy collective accidental insurance and provide annual health examination and monthly medical service to protect employee's health.

- (13) Regularly hold labor meeting, coordinate labor relations, promote labor cooperation and create win-win cooperation.
- (14) In order to motivate employees to innovate and improve their work efficiency, the Company has been continuously improving by initiating an improvement proposal system and giving incentives and recognition to employees who make proposals.

2. Retirement system

- (1) The company sets aside 6% to them monthly salary to the personal pension account at the Bureau of Labor for employees who started after July 1, 2005 as well as employees who opted to use the new Labor Pension Act. For employees to whom the old system applied as well as existing employees who opted to keep the old system, pension reserve fund is set aside to the account at Bank of Taiwan as per up to 15%.
- (2) The Company established the Labor Pension Fund Supervisory Committee to supervise employee pension expense account and protect employee's rights and interests after retirement.
- (3) In 2022, a total of 3 old system retirees' pension accounts were completed and paid in the retirement reserve account in accordance with law.

3. Other Important Agreements: None.

(II) Loss Resulting from Labor Disputes in the Most Recent Fiscal Year and in the Current Fiscal Year up to the Date of Publication of the Annual Report: None.

VI. Cyber security management

(I) Cyber security risk management framework, Cyber security policies, specific management plans and resources devoted to cyber security management:

1. Cyber security risk management framework:

The cyber security of the Company is coordinated by the IT Division under the President Office, which formulates relevant policies, implements risk management and follows relevant checking mechanisms. Since 2022, we have established cyber security-related personnel in accordance with the law to ensure that the organization's cyber security-related objectives and strategies are applied to support the organization's business objectives and strategies and to reduce cyber security risks so as to control the damage in the event of an cyber security situation through top-down organizational guidance and feedback.

2. Cyber security policies:

- (1) Internal control system: We add and adjust the cyber security rules in accordance with the trend to regulate the cyber security behavior of internal staff, and make annual adjustments and revisions to the management rules as appropriate through review and verification of use.
- (2) Implementation of cyber security objectives: We implement the cyber security standard operating procedures and comply with relevant regulations, as well as to evaluate whether to manage and control the cyber security status through the application of external personnel, software and hardware technologies, and equipment and tools to prevent possible cyber security incidents.
- (3) Review results and assess potential risks: We review the results of our cyber security objectives and the current status of the internal environment from time to time, and evaluate and analyze them through the collaboration of internal and external personnel as a reference basis for improving the company's cyber security.
- (4) Cyber security improvement: In order to prevent cyber security incidents, the Company adopts a multi-layer network structure, builds protective software and hardware, enhances the software and hardware environment and formulates relevant methods according to the current cyber security situation, and carries out the promotion of new knowledge and communication of management orders to implement cyber security management.

3. Specific management plans:

- (1) Infrastructure: We regularly evaluate the existing network hardware and equipment, fix vulnerabilities and potential weaknesses, update security solutions regularly, make multi-sided backups of data, and establish disaster recovery mechanisms, etc. At the same time, we strengthen the use of endpoint protection tools on the personal user side.
- (2) Personnel quality: We arrange for information personnel to continue to learn new cyber security knowledge and attend cyber security courses; promote the concept of cyber security among internal practitioners and strengthen the ability to respond to crises after cyber security incidents.
- (3) Material topics and trends: We refer to the cyber security issues announced by major vendors, as well as on-site/online courses and seminars to understand new cyber security vulnerabilities, technologies, tools, and evaluate the possibility of improving and introducing them into the Company.

4. Investing in resources for cyber security management:
- (1) In 2021, we have expanded our network firewall hardware and additional network storage equipment and strengthened our off-site backup mechanism.
 - (2) In 2023, we have arranged a vulnerability scanning project that is used to improve the cyber security environment.

(II) Losses due to Major Cyber Security Incidents, Possible Impact and Response Measures in the Most Recent Fiscal Year and in the Current Fiscal Year up to the Date of Publication of the Annual Report: None.

VII. Important Contracts:

Type of Contract	Party	Contract Duration	Contract Content	Restrictions
Lease Agreement	Cayman Islands STF Biotechnology Corp.	2020.11.02~2025.11.01	Real Estate Leasing	Lease Agreement
Lease Agreement	Unified Seiko Corp.	2022.5.1~2032.4.30	Real Estate Leasing	Lease Agreement
Lease Agreement	B&Q Corp.	2003.6.7~2034.3.31	Real Estate Leasing	Lease Agreement
Lease Agreement	Zhongxin Industry Corp.	2005.12.23~2034.3.31	Real Estate Leasing	Lease Agreement
Lease Agreement	Jiafu Corp.	2005.12.7~2025.12.6	Real Estate Leasing	Lease Agreement
Lease Agreement	Taroko Industry Corp. (Note)	2018.12.12~2024.2.9	Real Estate Leasing	Lease Agreement

Note: Taroko Market Business Corp. (stock) and Taroko Industry Corp. (stock) were merged and Taroko Industry Corp. (stock) undertook lease.

Chapter 6. Financial Information

I. Condensed Balance Sheets and Statements of Comprehensive Income for the Recent Five Fiscal Years

(I) Condensed balance sheet and comprehensive income statement - IFRSs

Consolidated condensed balance sheet - IFRSs

Unit: NT\$1,000

Item		Year	Most Recent 5-Year Financial Information (reviewed by CPAs)				
			2018	2019	2020	2021	2022
Current assets			940,007	1,169,691	1,068,926	1,257,647	1,124,735
Property, plant and equipment			1,658,178	1,651,141	1,585,612	1,550,848	1,542,513
Intangible assets			530	227	480	267	53
Other assets			1,903,720	1,753,519	1,761,407	1,793,083	1,794,925
Total Assets			4,502,435	4,574,578	4,416,425	4,601,845	4,462,226
Current liabilities	Before distribution		720,407	775,011	597,543	685,204	672,395
	After distribution		764,407	819,011	651,663	803,564	742,795 (Note)
Non-current liabilities			705,872	701,719	699,192	702,949	686,435
Total Liabilities	Before distribution		1,426,279	1,476,730	1,296,735	1,388,153	1,358,830
	After distribution		1,470,279	1,520,730	1,350,855	1,506,513	1,429,230 (Note)
Share Capital			2,200,000	2,200,000	2,200,000	2,200,000	2,200,000
Capital surplus			-	-	-	-	-
Retained earnings	Before distribution		986,978	979,154	1,015,282	1,114,535	1,095,615
	After distribution		942,978	935,154	961,162	996,175	1,025,215 (Note)
Other equity interest			(110,822)	(81,306)	(95,592)	(100,843)	(192,219)
Total shareholder equity	Before distribution		3,076,156	3,097,848	3,119,690	3,213,692	3,103,396
	After distribution		3,032,156	3,053,848	3,065,570	3,095,332	3,032,996 (Note)

Note: The amount was resolved and adopted by the Board of Directors on March 15, 2023.

Consolidated Condensed Income Statement - IFRSs

Unit: NT\$1,000

Item \ Year	Most Recent 5-Year Financial Information (reviewed by CPAs)				
	2018	2019	2020	2021	2022
Sales Revenue	974,924	790,778	702,471	809,714	688,943
Operating gross profit	84,485	13,832	62,884	184,817	165,799
Operating Income	6,376	(64,766)	(12,098)	102,293	80,859
Non-operating income and expenses	27,546	93,971	74,561	56,869	43,661
Profit before income tax	33,922	29,205	62,463	159,162	124,520
Net income from continuing operations for the period	33,922	29,205	62,463	159,162	124,520
Loss from Discontinued Operations	-	-	-	-	-
Net Income (Loss)	38,482	36,405	58,588	142,503	104,362
Other Comprehensive Income for the Year (Net of Tax)	(23,186)	29,287	7,254	5,619	(96,298)
Total Comprehensive Income for the Year	15,296	65,692	65,842	148,122	8,064
Net Income Attributable to Shareholders of the Parent	38,482	36,405	58,588	142,503	104,362
Net Income Attributable to Non-controlling Interests	-	-	-	-	-
Comprehensive Income Attributable to Owners of the Parent	15,296	65,692	65,842	148,122	8,064
Comprehensive Income Attributable to Non-controlling Interests	-	-	-	-	-
Earnings per Share	0.17	0.17	0.27	0.65	0.47

(II) Name of CPAs and Audit Opinions for the Last Five Years

Year	CPA	Audit Opinion	Cause of replacement of CPA
2018	CHAO, YUNG-HSIANG, CHENG, CHIN-TSUNG	Unmodified opinion	Note
2019	CHENG, CHIN-TSUNG, CHAO, YUNG-HSIANG	Unmodified opinion	
2020	CHENG, CHIN-TSUNG, CHAO, YUNG-HSIANG	Unmodified opinion	

Year	CPA	Audit Opinion	Cause of replacement of CPA
2021	HSIEH, TUNG-JU, CHAO, YUNG-HSIANG	Unmodified opinion	Note
2022	HSIEH, TUNG-JU, LIU, MING-HSIEN	Unmodified opinion	Note

Note: Internal job rotation of Deloitte & Touche.

II. Financial Analyses for the Past Five Fiscal Years

Financial Analysis - IFRS

Analysis Item		Year (Reviewed by CPA)				
		2018	2019	2020	2021	2022
Financial structure (%)	Debt ratio	31.68	32.28	29.36	30.17	30.45
	Ratio of long-term capital to property, plant, and equipment	228.08	230.12	240.85	252.55	245.69
Solvency (%)	Current ratio	130.48	150.93	178.89	183.54	167.27
	Quick ratio	56.50	77.56	95.19	107.38	91.30
	Interest coverage ratio (times)	6.10	3.79	10.58	27.89	19.84
Operating ability	Accounts receivable turnover rate (times)	11.91	14.65	15.31	15.72	18.96
	Average days for cash receipts	30.65	24.91	23.84	23.21	19.25
	Inventory turnover rate (times)	1.69	1.35	1.14	1.21	1.01
	Accounts payable turnover rate (times)	18.08	16.49	12.71	9.97	8.73
	Average days for sale of goods	215.97	270.37	320.17	301.65	361.38
	Property, plant, and equipment turnover rate (times)	0.59	0.48	0.43	0.52	0.45
	Total assets turnover rate (times)	0.22	0.17	0.16	0.18	0.15
Profitability	Return on total assets (%)	0.97	0.99	1.42	3.27	2.42
	Return on equity (%)	1.24	1.18	1.88	4.50	3.30
	Ratio of Income before Tax to Paid-in Capital (%)	1.54	1.33	2.84	7.23	5.66
	Net profit margin (%)	3.95	4.60	8.34	17.60	15.15
	Earnings Per Share (NT\$)	0.17	0.17	0.27	0.65	0.47
Cash flows (%)	Cash flow ratio (%)	8.64	0.00	27.19	32.06	20.62
	Cash flow adequacy ratio (%)	21.31	30.11	62.51	68.95	95.67
	Cash reinvestment ratio (%)	(0.19)	(0.97)	1.08	3.48	0.44
Leverage	Operating leverage	40.78	(2.66)	(17.67)	3.31	4.05
	Financial leverage	-	-	-	1.06	1.09

Explanations for changes in financial ratios in the most recent two years. (Not explained if the variation is less than 20%)

1. Decrease of times interest earned: Mainly due to a decrease in profit of current period compared to last year.
2. Increase in receivable turnover: The decline in order volume for the year resulted in a decrease in accounts receivable and an increase in turnover rate compared to last year.
3. Decrease of return on assets: Mainly due to the decrease in profit brought about by the decrease in orders this year.
4. Decrease in return on equity: Mainly due to decrease in profit of the year.
5. The decrease in net income before tax to paid-in capital ratio: Mainly due to the decrease in profit of the year.
6. Decrease in earnings per share: Mainly due to the decrease in profit of the year.
7. Decrease in cash flow ratio: mainly due to the decrease in net cash inflow from operating activities due to the decrease in profit this year.
8. Increase in the cash flow adequacy ratio: mainly due to the increase in inventory and the decrease in profit caused by a decrease in orders for the year.
9. Decrease in cash reinvestment ratio: mainly due to the decrease in net cash inflow from operating activities due to the decrease in profit for the year.
10. Increase in operating leverage: Mainly due to the reduction of operating income due to the decrease in orders volume for the year.

Note: The calculation formulas adopted are as follows:

1. Financial structure
 - (1) Debt ratio = Total liabilities/Total assets.
 - (2) Ratio of long-term capital to property, plant, and equipment = (Total equity + Non-current liabilities)/Net value of property, plant, and equipment.
2. Solvency
 - (1) Current ratio = Current assets/Current liabilities.
 - (2) Quick ratio = (Current assets - Inventories - Prepaid expenses)/Current liabilities.
 - (3) Interest coverage ratio = Income before tax and interest expenses/Interest expenses.
3. Operating ability
 - (1) Accounts receivable (including accounts receivable and notes receivable generated from operations) turnover rate = Net sales/Average balance of accounts receivable (including accounts receivable and notes receivable generated from operations) for each period.
 - (2) Average days for cash receipts = 365/Accounts receivable turnover rate.
 - (3) Inventory turnover rate = Cost of goods sold/Average inventories.
 - (4) Accounts payable (including accounts payable and notes payable generated from operations) turnover rate = Cost of goods sold/Average balance of accounts payable (including accounts payable and notes payable generated from operations) for each period.
 - (5) Average days for sale of goods = 365/Inventory turnover rate.
 - (6) Real estate, plants and equipment turnover rate=Net sales/Average real estate, plants and equipment, net.
 - (7) Total assets turnover rate = Net sales/Average total assets.
4. Profitability
 - (1) Return on assets = [Income after tax + Interest expenses x (1 - tax rate)]/Average total assets.
 - (2) Return on equity = Income after tax/Average total equity.
 - (3) Net profit margin = Income after tax/Net sales.
 - (4) Earnings per share = (Income attributable to owners of the parent - preferred stock dividends)/Weighted average number of shares issued. (Note 4)
5. Cash flows
 - (1) Cash flow ratio = Net cash flows generated from operating activities/Current liabilities.
 - (2) Cash flow adequacy ratio = Five-year sum of net cash flows generated from operating activities/Five-year sum of capital expenditure, inventory additions and cash dividends).
 - (3) Cash reinvestment ratio = (Net cash flows from operating - cash dividends)/(Gross amount of property, plant, and equipment + Long term investment + Other non-current assets + Working capital). (Note 5)
6. Leverage:
 - (1) Operating leverage = (Net operating revenue - Variable operating costs & expenses)/Operating income (Note 6).
 - (2) Financial leverage = Operating income/(Operating income - Interest expenses).

III. 2022 Audit Report of Financial Statements

Tung Ho Textile Co., Ltd. Audit Committee's Review Report

The Board of Directors has prepared the Company's 2022 Business Report, Financial Statements and proposal for distribution of earnings, among which the Financial Statements have been audited by Deloitte & Touche, and an audit report has been issued.

The above Business Report, Financial Statements and proposal for distribution of earnings have been examined by the Audit Committee and found to be consistent. According to relevant provisions of the Securities and Exchange Act and the Company Act, we hereby submit this report.

To:

2023 Annual Shareholders' Meeting of Tung Ho Textile Co., Ltd.

Convener of the Audit Committee:
HWANG, JIN-FA

April 28, 2023

IV. 2022 Accountant's Report

Independent Auditors' Report

To Tung Ho Textile Co., Ltd.:

Opinion

We have audited the financial statements of Tung Ho Textile Co., Ltd. (“the Company”), which comprise the balance sheets as of December 31, 2022 and 2021, and the statements of comprehensive income, the statements of changes in equity, and the statements of cash flows from January 1 to December 31, 2022 and 2021, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2022 and 2021, and its financial performance and its cash flows from January 1 to December 31, 2022 and 2021, 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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of Tung Ho Textile Co., Ltd. in accordance with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China (“The Norm”), and we have fulfilled our other ethical responsibilities in accordance with the Norm. 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 those matters that, in our professional judgment, were of most significance in our audit of the Parent Company Only Financial Statements of Tung Ho Textile Co., Ltd. for the year ended December 31, 2022. These matters were addressed in the context of our audit of the financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

Key audit matters for the Parent Company Only Financial Statements of Tung Ho Textile Co., Ltd. for the year ended December 31, 2022 are stated as follows:

Inventories losses

The inventory balance of Tung Ho Textile Co., Ltd. as of December 31, 2022 was NT\$ 503,983 thousand. Due to the fluctuation of raw material prices and fierce market competition in the textile industry, the risk of inventory evaluation losses may be too high. Since the net realizable value used often involves subjective judgments and has a high degree of estimation uncertainty, considering that Tung Ho's inventory and its allowance evaluation losses have a significant impact on the financial statements, the accountant believes that the reasonableness of Tung Ho Textile Co., Ltd.'s inventory loss assessment is a key audit item identified in this year.

The accountant's explanation for testing the reasonableness of the aforementioned inventory loss assessment is as follows:

1. To understand the internal control related to the inventory depreciation loss, evaluate the effectiveness of the internal control of Tung Ho Textile Co., Ltd.'s inventory depreciation loss.
2. Acquire the inventory net realizable value evaluation report, understand its calculation logic, and sample the correctness and completeness of the net realizable value.
3. Participate in inventory at the end of the year and evaluate the inventory status during inventory to assess the appropriateness of the provision of outdated and damaged inventories for the loss of inventory depreciation.

Please refer to Notes 4, 5, and 10 of the Financial Report for the uncertainty estimates and relevant disclosures of accounting policies, accounting estimates, and assumptions related to the impairment assessment of inventories.

Responsibilities of management and those charged with governance for the financial statements

It is the management's responsibility to fairly present the Consolidated Financial Statements in conformity with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers," as well as International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission, and to maintain internal controls which are necessary for the preparation of the Financial Statements so as to avoid material misstatements due to fraud or errors therein.

In preparing the financial statements, management is responsible for assessing Tung Ho Textile Co., Ltd.'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 Tung Ho Textile Co., Ltd. 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 Tung Ho Textile Co., Ltd.'s financial reporting process.

Auditor’s responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error and to issue an auditor’s 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 in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error. If individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements, it is considered material.

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

1. Identify and evaluate the risk of material misstatements due to fraud or error in the Consolidated Financial Statements; design and carry out appropriate countermeasures for the evaluated risk; and obtain sufficient and appropriate evidence as the basis for their audit 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 Tung Ho Textile Co., Ltd’s internal control.
3. Assess the appropriateness of the accounting policies adopted by the management, as well as the reasonableness of their accounting estimates and relevant disclosures.
4. Conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause Tung Ho Textile Co., Ltd. to cease to continue as a going concern.
5. Evaluate the overall expression, structure and contents of the Financial Statements (including relevant Notes), and whether the Financial Statements fairly present relevant transactions and items.

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 those matters that were of most significance in the audit of the 2022 financial statements of Tung Ho Textile Co., Ltd. and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should 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

HSIEH, TUNG-JU

LIU, MING-HSIEN

FSC No.

FSC No. 1090347472

FSC No.

FSC No. 1100356048

March 15, 2023

Notice to Readers

The accompanying consolidated financial statements are intended only to present the consolidated financial position, financial performance and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such consolidated financial statements are those generally applied in the Republic of China.

For the convenience of readers, the independent auditors' report and the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and consolidated financial statements shall prevail.

Tung Ho Textile Co., Ltd.
Balance Sheets
December 31, 2022 and 2021

Unit: In Thousands of New Taiwan Dollars

Code	Assets	December 31, 2022		December 31, 2021	
		Amount	%	Amount	%
	Current assets				
1100	Cash and cash equivalents (Notes 4 and 6)	\$ 202,677	5	\$ 275,877	6
1110	Financial assets at fair value through profit or loss - current (Notes 4 and 7)	55,536	1	62,884	2
1120	Financial assets at fair value through other comprehensive income - Current (Notes 4 and 8)	313,037	7	333,378	7
1150	Notes receivable (Notes 4 and 9)	2,795	-	10,589	-
1170	Accounts receivable (Notes 4 and 9)	22,985	1	36,288	1
1200	Other receivables (Notes 4)	12,285	-	16,639	-
130X	Inventories (Notes 4, 5, and 10)	503,983	11	510,515	11
1410	Prepayments	6,824	-	11,377	-
1470	Other current assets	4,613	-	100	-
11XX	Total current assets	<u>1,124,735</u>	<u>25</u>	<u>1,257,647</u>	<u>27</u>
	Non-current assets				
1517	Financial assets at fair value through other comprehensive income - Non-current (Notes 4 and 8)	40,005	1	45,547	1
1600	Real estate, plant and equipment (Notes 4, 11, and 25)	1,542,513	35	1,550,848	34
1760	Net investment properties (Notes 4, 13, and 25)	1,699,158	38	1,685,057	37
1780	Other intangible assets	53	-	267	-
1840	Deferred tax assets (Notes 4 and 19)	46,637	1	45,796	1
1990	Other non-current assets	9,125	-	16,683	-
15XX	Total non-current assets	<u>3,337,491</u>	<u>75</u>	<u>3,344,198</u>	<u>73</u>
1XXX	Total assets	<u>\$ 4,462,226</u>	<u>100</u>	<u>\$ 4,601,845</u>	<u>100</u>
	Liabilities and Equity				
	Current liabilities				
2100	Short-term borrowings (Notes 14 and 25)	\$ 567,500	13	\$ 544,500	12
2130	Contract liabilities - current	16,379	-	54,174	1
2170	Accounts payable	7,697	-	6,806	-
2219	Other payables	60,842	1	70,082	2
2230	Current tax liabilities (Notes 4 and 19)	19,004	1	8,692	-
2399	Other current liabilities	973	-	950	-
21XX	Total current liabilities	<u>672,395</u>	<u>15</u>	<u>685,204</u>	<u>15</u>
	Non-current liabilities				
2570	Deferred tax liabilities (Notes 4 and 19)	634,838	14	634,752	14
2610	Long-term payables	415	-	6,632	-
2640	Net defined benefit liabilities - non-current (Notes 4 and 15)	6,370	-	14,805	-
2645	Guarantee deposits received (Notes 13, 24, and 26)	44,812	1	46,760	1
25XX	Total non-current liabilities	<u>686,435</u>	<u>15</u>	<u>702,949</u>	<u>15</u>
2XXX	Total liabilities	<u>1,358,830</u>	<u>30</u>	<u>1,388,153</u>	<u>30</u>
	Equity (Note 16)				
	Share capital				
3110	Common stock	2,200,000	49	2,200,000	48
	Retained earnings				
3310	Legal reserve	92,585	2	77,247	2
3320	Special reserve	793,158	18	793,264	17
3350	Unappropriated retained earnings	209,872	5	244,024	5
3300	Total retained earnings	<u>1,095,615</u>	<u>25</u>	<u>1,114,535</u>	<u>24</u>
3400	Other equity interest	(192,219)	(4)	(100,843)	(2)
3XXX	Total equity	<u>3,103,396</u>	<u>70</u>	<u>3,213,692</u>	<u>70</u>
	Total liabilities and equity	<u>\$ 4,462,226</u>	<u>100</u>	<u>\$ 4,601,845</u>	<u>100</u>

The accompanying notes are an integral part of the Financial Statements.

Chairman: TSAI, SUI-YING

General Manager: CHANG, CHIA-HENG

Accounting Manager: KUO, YEN-LIANG

Tung Ho Textile Co., Ltd.
 Statements of Comprehensive Income
 For the Years Ended December 31, 2022 and 2021
 Unit: In Thousands of New Taiwan Dollars, Except Earnings Per Share

Code		2022		2021	
		Amount	%	Amount	%
	Operating revenue (Notes 4, 17, 24 and 29)				
4100	Sales revenue	\$ 561,132	81	\$ 689,386	85
4300	Rental income	<u>127,811</u>	<u>19</u>	<u>120,328</u>	<u>15</u>
4000	Total operating revenue	<u>688,943</u>	<u>100</u>	<u>809,714</u>	<u>100</u>
	Operating cost				
5110	Cost of goods sold (Notes 10 and 18)	(500,393)	(73)	(603,680)	(74)
5300	Lease cost	(<u>22,751</u>)	(<u>3</u>)	(<u>21,217</u>)	(<u>3</u>)
5000	Total operating cost	(<u>523,144</u>)	(<u>76</u>)	(<u>624,897</u>)	(<u>77</u>)
5900	Gross Profit	<u>165,799</u>	<u>24</u>	<u>184,817</u>	<u>23</u>
	Operating expenses (Note 18)				
6100	Selling expenses	(17,434)	(2)	(20,241)	(3)
6200	General and administrative expenses	(55,496)	(8)	(49,292)	(6)
6300	Research and development expenses	(<u>12,010</u>)	(<u>2</u>)	(<u>12,991</u>)	(<u>2</u>)
6000	Total operating expenses	(<u>84,940</u>)	(<u>12</u>)	(<u>82,524</u>)	(<u>11</u>)
6900	Net operating income	<u>80,859</u>	<u>12</u>	<u>102,293</u>	<u>12</u>
	Non-operating income and expenses (Note 18)				
7100	Interest income	871	-	61	-
7010	Other income	42,580	6	53,080	7
7020	Other profits and losses	6,821	1	9,647	1
7050	Finance costs	(<u>6,611</u>)	(<u>1</u>)	(<u>5,919</u>)	(<u>1</u>)
7000	Total non-operating income and expenses	<u>43,661</u>	<u>6</u>	<u>56,869</u>	<u>7</u>

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<u>Code</u>		<u>2022</u>		<u>2021</u>	
		<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
7900	Profit before income tax	\$ 124,520	18	\$ 159,162	19
7950	Income tax expenses (Notes 4 and 19)	(20,158)	(3)	(16,659)	(2)
8200	Net income	<u>104,362</u>	<u>15</u>	<u>142,503</u>	<u>17</u>
	Other comprehensive income				
	Components of other comprehensive income that will not be reclassified to profit or loss				
8311	Remeasurement of defined benefit plans (Notes 15)	4,970	1	(2,744)	-
8316	Unrealized gain (loss) on valuation of equity instruments at fair value through profit or loss	(100,274)	(15)	7,815	1
8349	Income tax relating to items that will not be reclassified subsequently to profit or loss (Note 19)	(994)	-	548	-
8300	Other comprehensive income/(loss) for the year (net of income tax)	(96,298)	(14)	5,619	1
8500	Total comprehensive income	<u>\$ 8,064</u>	<u>1</u>	<u>\$ 148,122</u>	<u>18</u>
	Earnings per share (Notes 20)				
9710	Basic earnings per share	<u>\$ 0.47</u>		<u>\$ 0.65</u>	
9810	Diluted earnings per share	<u>\$ 0.47</u>		<u>\$ 0.65</u>	

The accompanying notes are an integral part of the Financial Statements.

Chairman: TSAI, SUI-YING General Manager: CHANG, CHIA-HENG Accounting Manager: KUO, YEN-LIANG

Tung Ho Textile Co., Ltd.
Statements of Changes in Equity
For the Years Ended December 31, 2022 and 2021

Unit: In Thousands of New Taiwan Dollars

Code		Retained earnings				Other equity items	Total Equity
		Share capital	Legal reserve	Special reserve	Unappropriated retained earnings	Unrealized profits and losses of financial assets at fair value through other comprehensive income	
A1	Balance as of January 1, 2021	\$ 2,200,000	\$ 69,234	\$ 793,273	\$ 152,775	(\$ 95,592)	\$ 3,119,690
B17	Legal reversal of first-time adoption of IFRSs-related special reserve			(9)	9		
	Distribution of earnings for 2020						
B1	Legal reserve	-	8,013	-	(8,013)	-	-
B5	Cash dividends distributed by the Company	-	-	-	(54,120)	-	(54,120)
D1	Net income in 2021	-	-	-	142,503	-	142,503
D3	Other comprehensive income after tax in 2021	-	-	-	(2,196)	7,815	5,619
D5	Total comprehensive income in 2021	-	-	-	140,307	7,815	148,122
Q1	Disposal of equity instruments at fair value through other comprehensive income	-	-	-	13,066	(13,066)	-
Z1	Balance as of December 31, 2021	2,200,000	77,247	793,264	244,024	(100,843)	3,213,692
B17	Legal reversal of first-time adoption of IFRSs-related special reserve	-	-	(106)	106	-	-
	Distribution of earnings for 2021						
B1	Legal reserve	-	15,338	-	(15,338)	-	-
B5	Cash dividends distributed by the Company	-	-	-	(118,360)	-	(118,360)
D1	Net income in 2022	-	-	-	104,362	-	104,362
D3	Other comprehensive income after tax in 2022	-	-	-	3,976	(100,274)	(96,298)
D5	Total comprehensive income in 2022	-	-	-	108,338	(100,274)	8,064
Q1	Disposal of equity instruments at fair value through other comprehensive income	-	-	-	(8,898)	8,898	-
Z1	Balance as of December 31, 2022	\$ 2,200,000	\$ 92,585	\$ 793,158	\$ 209,872	(\$ 192,219)	\$ 3,103,396

The accompanying notes are an integral part of the Financial Statements.

Chairman: TSAI, SUI-YING

General Manager: CHANG, CHIA-HENG

Accounting Manager: KUO, YEN-LIANG

Tung Ho Textile Co., Ltd.

Statement of Cash Flows

For the Years Ended December 31, 2022 and 2021

Unit: In Thousands of New Taiwan Dollars

Code		2022	2021
	CASH FLOWS FROM OPERATING ACTIVITIES		
A10000	Income before income tax	\$ 124,520	\$ 159,162
A20010	Adjustments to reconcile profit (loss)		
A20100	Depreciation	55,900	61,668
A20200	Amortization expense	214	213
A22500	Disposal of abandonment of real estate, plant, and equipment interests	(280)	-
A21200	Interest income	(871)	(61)
A21200	Rental income	(15,476)	(15,476)
A21300	Dividend income	(38,239)	(39,422)
A20400	Net gain on financial assets measured at fair value through profit or loss	10,377	(872)
A20900	Finance costs	6,611	5,919
A23700	Inventory loss from market price decline and for loss on obsolete and slow-moving inventories	4,462	-
A23800	Reversal of write-downs of inventories	-	(23,076)
A30000	Net changes in operating assets and liabilities		
A31115	Financial assets at fair value through profit or loss	(3,029)	(3,483)
A31130	Notes receivable	7,794	(3,838)
A31150	Accounts receivable	13,303	13,107
A31180	Other receivables	4,354	(7,094)
A31200	Inventories	2,070	(9,351)
A31230	Prepayments	6,343	6,815
A31240	Other current assets	(4,513)	8,001
A32125	Contract liabilities	(37,795)	23,247
A32150	Accounts payable	891	3,979
A32180	Other payables	(9,400)	6,453
A32220	Other current liabilities	23	147
A32240	Net defined benefit liabilities - Non-current	(3,465)	(781)
A32990	Long-term payables	(<u>6,217</u>)	<u>1,690</u>
A33000	Cash generated from operations	117,577	186,947
A33100	Interest received	871	61
A33200	Dividends received	38,239	39,422

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Code		2022	2021
A33300	Interest paid	(\$ 6,451)	(\$ 5,802)
A33500	Income tax paid	(11,595)	(927)
AAAA	Net cash inflows from operating activities	<u>138,641</u>	<u>219,701</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
B00010	Purchase of financial assets measured at fair value through other comprehensive income	(396,479)	(658,981)
B00020	Proceeds from sale of financial assets measured at fair value through other comprehensive income	320,659	653,534
B00030	Refund of capital reduction of financial assets measured at fair value through other comprehensive profit	1,429	741
B02700	Acquisition of property, plant, and equipment	(14,894)	(11,956)
B02800	Proceeds from disposal of real estate, plant, and equipment	382	83
B07100	Increase in prepayments for equipment	(25,630)	(28,208)
B05400	Acquisition of investment properties	-	(8,093)
BBBB	Net cash flows used in investing activities	<u>(114,533)</u>	<u>(52,880)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
C00200	Increase in short-term borrowings	23,000	47,108
C03000	Increase in guarantee deposits received	-	110
C03100	Decrease in guarantee deposits received	(1,948)	-
C04500	Payment of dividends to the Company's owners	(118,360)	(54,120)
CCCC	Net cash flows used in financing activities	<u>(97,308)</u>	<u>(6,902)</u>
EEEE	Net increase (decrease) in cash and cash equivalents	(73,200)	159,919
E00100	Cash and Cash Equivalents at Beginning of Year	<u>275,877</u>	<u>115,958</u>
E00200	Cash and Cash Equivalents at End of Year	<u>\$ 202,677</u>	<u>\$ 275,877</u>

The accompanying notes are an integral part of the Financial Statements.

Chairman:	TSAI, SUI-YING	General Manager:	CHANG, CHIA-HENG	Accounting Manager:	KUO, YEN-LIANG
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Tung Ho Textile Co., Ltd.
Notes to Financial Statements

For the Years Ended December 31, 2022 and 2021

(Amount in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

1. Company History

Tung Ho Textile Co., Ltd. (hereinafter referred to as "the Company") is established in September 1959 in accordance with the Company Act. The main business items are textile, processing, spinning, man-made fiber trading of natural fibers and polyester cotton, and commissioning of construction companies to build national housing rental and sales.

The Company's main production and operation address is No. 227, Gongye Rd., Madou Dist., Tainan City, Taiwan (R.O.C.), and the address of management and operations research is 13F., No. 376, Sec. 4, Ren'ai Rd., Da'an Dist., Taipei City, Taiwan (R.O.C.)

The Company's shares have been listed on the Taiwan Stock Exchange since February 1976.

The Financial Statements are presented in the New Taiwan dollar, the Company's functional currency.

2. Date of Authorization for Issuance of the Parent Company Only Financial Statements and Procedures for Authorization

The Financial Statements have been approved by the Board of Directors on March 15, 2023.

3. Application of New and Amended Standards and Interpretations

- a. Initial application of the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), International Financial Reporting Interpretations Committee (IFRIC), and Standard Interpretations Committee (SIC) (the "IFRSs") endorsed and issued into effect by the Financial Supervisory Commission (the "FSC")

The application of the IFRSs endorsed and issued into effect by the FSC in 2022 did not result in significant changes in the accounting policies of the Company

- b. IFRSs recognized by the FSC are applicable from 2023 onward.

<u>New/Revised/Amended Standards and Interpretations</u>	<u>Effective Date of Issuance by the IASB</u>
Amendments to IAS 1 "Disclosure of Accounting Policies"	January 1, 2023 (Note 1)
Amendment to IAS 8 "Definition of Accounting Estimates"	January 1, 2023 (Note 2)
Amendment to IAS12 "Deferred tax related to assets and liabilities arising from a single transaction"	January 1, 2023 (Note 3)

Note 1: The application of this amendment used during the annual reporting period beginning on January 1, 2023.

Note 2: This amendment applies to changes in accounting estimates and changes in accounting policies during the annual reporting period beginning on January 1, 2023.

Note 3: The amendment applies to transactions occurring after January 1, 2022, except for the recognition of deferred tax for all temporary differences related to leases and decommissioning obligations as of January 1, 2022.

As of the date of authorization of the Financial Statements, the Company has assessed of the aforesaid amendments to standards and interpretations did not have a significant impact on the financial position and financial performance.

c. Standards 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 of Issuance by the IASB (Note 1)</u>
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and Its Associate or Joint Venture”	To be determined
Amendment to IFRS 16 "Lease Liabilities in Sale and Leaseback”	January 1, 2024 (Note 2)
IFRS 17 “Insurance Contracts”	January 1, 2023
Amendment of IFRS 17	January 1, 2023
Amendment to IFRS17 “Initial Application of IFRS 17 and IFRS 9—Comparative Information”	January 1, 2023
Amendments to IAS1 "Classify Liabilities as Current or Non-current"	January 1, 2024
Amendments to IAS1 "Non-current Liabilities with contractual Terms"	January 1, 2024

Note 1: Unless otherwise specified, the aforementioned New/Amended/Revised Standards and Interpretations shall be effective for the annual reporting period after the specified dates.

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

The Company assesses that the aforesaid IFRSs issued by the IASB but not yet endorsed by the FSC and issued into effect have no material impact on the Company. However, as of the date of authorization of the 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.

4. Summary of Significant Accounting Policies

a. Compliance declaration

The Financial Statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, relevant regulations and the IFRSs endorsed and issued into effect by the FSC.

b. Preparation basis

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

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

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

c. Standards for assets and liabilities classified as current and non-current

Current assets include:

- 1) Assets held primarily for trading purposes;
- 2) Assets expected to be realized within 12 months after the balance sheet date; and
- 3) Cash or cash equivalents (excluding assets restricted from being exchanged or used to settle a liability for at least 12 months after the balance sheet date).

Current liabilities include:

- 1) Liabilities held primarily for trading purposes;
- 2) Liabilities with settlement 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 publication of the balance sheet.

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

d. 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 this year 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 in this year, 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.

e. Inventories

Inventories include raw materials, materials, finished products and work in progress. Inventories are measured at a lower cost and net realizable value. The comparison between costs and net realizable values 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. Cost of inventory is calculated using the weighted-average method.

f. Real estate, plant, and equipment

Real estate, plant, and equipment are stated at cost and subsequently measured at cost less accumulated depreciation and impairment.

The depreciation of real estate, plant, and equipment in its useful life is made on a straight-line basis for each major part/component separately. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

When real estate, plant, and, equipment are derecognized, the difference between the net disposal proceeds and the carrying amount of the asset shall be recognized in profit or loss.

g. Investment properties

Investment property is real estate held for rent or capital appreciation or both. Investment properties also include land held for a currently undetermined future use.

Own investment property is initially measured at costs (including transaction costs) and is subsequently measured at costs less accumulated depreciation and accumulated impairment losses.

Depreciation of investment property is recognized on a straight-line basis.

In the event of derecognition of an investment property, the difference between its net disposal proceeds and carrying amount is recognized as gain or loss.

h. Intangible assets

1) Separate acquisition

Intangible assets with a limited useful life will be measured initially at cost and subsequently at cost less accumulated amortization and the amount after the accumulated impairment loss. Intangible assets will be amortized using the straight-line method within the useful life. The Company will review the estimated useful life, residual value, and depreciation methods at the end of each year at least once a year to deduce the effect of the changes in accounting estimates.

2) Derecognition

When intangible assets are derecognized, the difference between the net disposal proceeds and the carrying amount of the asset shall be recognized in profit or loss of the current period.

i. Impairment of assets related to real estate, plant, and equipment, investment real estate, intangible assets

On each balance sheet date, the Company reviews the carrying amounts of real estate, plant and equipment, investment property, and intangible assets, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. 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 cash-generating unit.

The recoverable amount is the fair value minus cost of sales or its value in use, whichever is higher. If the recoverable amount of individual asset or the cash-generating unit is lower than its carrying amount, the carrying amount of the asset or the cash-generating unit shall be reduced to the recoverable amount and the impairment loss shall be recognized in profit or loss.

When the impairment loss is subsequently reversed, the carrying amount of the asset or the cash-generating unit will be reduced to the extent of recoverable amount prior to revision, provided the increased carrying amount does not exceed the carrying amount (minus amortization or depreciation) of the asset or of the cash-generating unit not declared as impairment loss in the previous years. A reversal of an impairment loss is recognized immediately in profit or loss.

j. Financial instruments

Financial assets and financial liabilities shall be recognized in the balance sheets when the Company becomes a party of the financial instrument contract.

When showing the original financial assets and liabilities, if their fair value was not assessed based on profit or loss, it is the fair value plus the cost of transaction, that is, of its acquisition or issuance of the financial assets or financial liabilities. Transaction costs directly attributable to the acquisition of financial assets or 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.

a) Types of measurement

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

i. Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets mandatorily measured at fair value through profit or loss. Such assets include investments in equity instruments that are not designated by the combined company to be measured at fair value through other comprehensive income and investments in debt instruments that fail to meet the criteria as to be measured at amortized cost or at fair value through other comprehensive income.

Such assets are measured at fair value, of which any dividends and interest accrued are recognized as other revenue, interest income, and remeasurement profits or losses are recognized in profit or loss. Please refer to Notes 23 for the determination of fair value.

iii. 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:

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

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

Interest income is calculated at the value of effective interest rate times the gross carrying amount of financial assets

Cash equivalents include time deposits within three months from the acquisition date and with high liquidity and relatively low price changes convertible to cash any time. They are used for meeting short-term cash commitments.

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

The Company may, at initial recognition, make an irrevocable decision to designate an 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.

b) Impairment of financial assets

The impairment loss of financial assets (including accounts receivable) at amortized cost is measured by the Company on the balance sheet date based on the expected credit losses.

Allowances shall be appropriated for accounts receivable for expected credit losses for the duration of their existence. A loss allowance for the 12-month expected credit losses is required for a financial asset if its credit risk has not increased significantly since initial recognition. A loss allowance for full lifetime expected credit losses is required for a financial asset if its credit risk has increased significantly since initial recognition.

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

For internal credit risk management purposes, the Company determines that the following situations indicate that a financial asset is in default without taking into account any collateral held by the Company:

- i. Internal or external information show that the debtor is unlikely to pay its creditors.
- ii. Overdue for more than one year, unless there is reasonable evidence showing that a delayed basis of default is more appropriate.

The impairment loss of all financial assets is reduced based on the allowance account.

c) 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.

On de-recognition of a financial asset measured at amortized cost, the difference between the asset's carrying amount and the sum of the consideration received is recognized in profit or loss. When the equity instrument investment measured at fair value through other comprehensive profits and losses is delisted as a whole, the cumulative profit or loss is directly transferred to retained earnings and not reclassified to profit or loss.

d) Equity instruments

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

Equity instruments issued by the Company are recognized at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognized in and deducted directly from equity, and their carrying amount are calculated on a weighted average of stock classes. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

e) Financial liabilities

i. Subsequent measurement

Financial liabilities held by the Company are assessed at amortized cost using the effective interest method.

ii. Derecognition of financial liabilities

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

k. Revenue recognition

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

Sales revenue comes from the manufacturing and sales of yarn products. Since the sales and delivery of general yarn and special yarn meet the sales conditions agreed with the customer, and the customer already has the right to set the price and use of the product and bears the main responsibility for resale, and bears the risk of obsolescence and

obsolescence of the product, the Company has recognized revenue and account receivables since then.

1. Lease

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

1) Where the Company is a lessor:

Leases in which the lessee assumes substantially all of the risks and rewards of ownership are classified as finance leases. All other leases are classified as operating leases.

Under operating leases, lease payments after deducting lease incentives are recognized as revenue on a straight-line basis over the relevant lease term. The initial direct costs arising from acquisition of operating leases is added to the carrying amount of the underlying assets; and an expense is recognized for the lease on a straight line basis over the lease term.

When a lease includes both land and building elements, the Company assesses the classification of each element separately as a financial or an operating lease based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the lessee. Minimum lease payments shall be apportioned to land and buildings in proportion to the fair value of land and building lease rights on the lease start date.

If lease payments can be allocated reliably between these two elements, then each element is classified under relevant lease. If lease payments cannot be allocated reliably between the two elements, the entire lease is classified under finance lease. If both elements clearly meet the standards of operating leases, the entire lease is classified under operating lease.

2) Where the Company is a lessee:

Lease payments for low-value target asset leases and short-term leases that are subject to the recognition exemption are recognized as expenses during the lease term on a straight-line basis.

m. Government subsidies

A government grant is recognised only when there is reasonable assurance that (a) the Company will comply with any conditions attached to the grant and (b) the grant will be received.

A grant receivable as compensation for costs already incurred or for immediate financial support for the Company, with no future related costs, are recognised as income in the period in which it is receivable.

n. Employee benefit

1) Short-term employee benefits

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

2) Retirement benefits

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

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

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

o. Income Tax

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

1) Current income tax

The income tax payable (recoverable) is calculated based on the income (loss) of the period determined by the Company in accordance with the laws and regulations of each income tax reporting jurisdiction.

A 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 income tax of current period.

2) Deferred income tax

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

The carrying amount of the deferred income tax assets is re-examined at each balance sheet date and the carrying amount is reduced for assets that are no longer likely to generate sufficient taxable income to recover all or part of the assets. The carrying amount of items that were not previously recognized as a deferred tax asset is also reviewed at each balance sheet date and is raised when it becomes probable that sufficient taxable profit will be available in the future to recover all or part of the asset.

Deferred income tax assets and liabilities are measured at the tax rate of the period of expected repayment of liabilities or realization of assets. The rate is based on the tax rate and tax laws that have been enacted prior to the balance sheet date or have been substantially legislated. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the balance sheet date, to recover or settle the carrying amount of its assets and liabilities.

3) Current and deferred income taxes

Current income tax and deferred income tax are recognized in profit or loss, except for the current and deferred income tax related to items recognized in other comprehensive profits and losses or directly included in equity is recognized in other comprehensive profits and losses or directly included in equity respectively.

5. 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 management will review the estimates and basic assumptions on an ongoing basis. If an amendment of estimates only affects the current year, it shall be recognized in the year 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.

Main sources of uncertainty in estimates and assumptions

Impairment of inventories

The net realizable value of inventories is the estimated selling price in the ordinary course of business less the estimated costs of completion and disposal. The estimation of net realizable value is based on current market conditions and historical experience with product sales of a similar nature. Changes in market conditions may have a material impact on the estimation of the net realizable value.

6. Cash and Cash Equivalents

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Cash on hand and working capital	\$ 80	\$ 80
Checks and demand deposits in banks	78,860	233,197
Cash equivalents (Time deposits with original maturities within three months)		
Bank fixed deposit	<u>123,737</u>	<u>42,600</u>
	<u>\$ 202,677</u>	<u>\$ 275,877</u>

The interest rate interval of bank fixed deposits on the Balance Sheet date is as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Bank fixed deposit	0.85%~4.10%	0.09%~0.12%

7. Financial Instruments at Fair Value through Profit or Loss

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Financial assets - current</u>		
Mandatorily measured at fair value through profit or loss		
Non-derivative financial assets		
- Financial bonds	\$ 6,844	\$ 8,394
- Gold Passbook	5,533	12,855
- Fund beneficiary certificates	<u>43,159</u>	<u>41,635</u>
	<u>\$ 55,536</u>	<u>\$ 62,884</u>

8. Financial Assets at Fair Value through Other Comprehensive Income

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Current</u>		
Investments in equity instruments at fair value through other comprehensive income		
Domestic investment		
Listed companies' shares		
— common shares	\$ 300,559	\$ 308,084
Foreign investment		
Listed companies' shares		
— common shares	<u>12,478</u>	<u>25,294</u>
	<u>\$ 313,037</u>	<u>\$ 333,378</u>
<u>Non-current</u>		
Investments in equity instruments at fair value through other comprehensive income		
Domestic investment		
Non-listed companies' shares — common shares	\$ 1,611	\$ 1,869
Foreign investment		
Listed companies' shares		
— common shares	<u>38,394</u>	<u>43,678</u>
	<u>\$ 40,005</u>	<u>\$ 45,547</u>

The purpose held by the Company is designated as an investment for medium and long-term strategic purposes as measured at fair value through other comprehensive profits and losses. The Company adjusted its investment positions from January 1 to December 31 2022 and 2021 to diversify the risk, and sold part of the company's common shares at fair values of NT\$ 320,659 thousand and NT\$ 653,534 thousand, respectively. Other relevant interests -

the unrealized benefits (losses) of financial assets measured at fair value through other comprehensive profits and losses of NT\$ (8,898) thousand and NT\$ 13,066 thousand are transferred to retained surplus.

9. Note Receivables and Account Receivables

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Notes receivable</u>		
Measured at amortized cost		
Total carrying amount	\$ 2,795	\$ 10,589
Less: Loss allowance	<u>-</u>	<u>-</u>
	<u>\$ 2,795</u>	<u>\$ 10,589</u>
 <u>Accounts receivable</u>		
Measured at amortized cost		
Total carrying amount	\$ 23,076	\$ 36,379
Less: Loss allowance	<u>(91)</u>	<u>(91)</u>
	<u>\$ 22,985</u>	<u>\$ 36,288</u>

The Company's credit period for commodity sales is 60 days, and no interest is accrued on accounts receivable.

In order to mitigate credit risks, the management of the Company regularly evaluates credit lines and other monitoring procedures to ensure that appropriate actions have been taken in the recovery of overdue receivables. The Company will also review recoverable amount of receivable on balance sheet date to ensure unrecoverable receivables are listed in impairment loss. As such, the management concludes that the credit risk of the Company is significantly reduced.

The Company recognizes an allowance for uncollectible accounts for accounts receivable as lifetime ECL for the duration. The lifetime expected credit loss, which takes into account the past default records of customers and the current financial status, industrial economic situation, and industry outlook. The historical experience of credit losses of the Company shows that there is no significant difference in the loss patterns of different customer groups. Set the expected credit loss rate based on the overdue days of accounts receivable. At December 31, 2022 and 2021, the loss allowance for accounts receivable is 0% and 0.19% for those who are not overdue, and 0% to 100% and 1.53% to 100% for those who are overdue.

When there is information indicating that the debtor is experiencing severe financial difficulty and there is no realistic prospect of recovery of the receivables, for example, the counterparty is in liquidation or the debt has been overdue for more than 1 year, the Company shall directly recognize the relevant allowance loss. The Company continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognized in profit or loss.

Aging analysis of notes and accounts receivable measured amortization expense is as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Not Pass Due	\$ 20,916	\$ 46,968
Past Due		
1~60 days	4,955	-
61~120 days	-	-
More than 120 days	<u>-</u>	<u>-</u>
Total	<u>\$ 25,871</u>	<u>\$ 46,968</u>

The above aging analysis is based on the overdue date.

Changes in loss allowances for receivables are as follows:

	<u>2022</u>	<u>2021</u>
Beginning balance	\$ 91	\$ 91
Add: Impairment loss in the current period	<u>-</u>	<u>-</u>
Ending balance	<u>\$ 91</u>	<u>\$ 91</u>

10. Inventories

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Raw materials	\$ 282,603	\$ 411,558
Work in process	8,613	9,438
Finished product	<u>212,767</u>	<u>89,519</u>
	<u>\$ 503,983</u>	<u>\$ 510,515</u>

The nature of the cost of goods sold is as follows:

	<u>2022</u>	<u>2021</u>
Inventory cost sold	\$ 493,463	\$ 623,442
Undivided manufacturing cost	2,468	3,314
Loss of inventory depreciation (gain from price increase in inventories)	<u>4,462</u>	<u>(23,076)</u>
Total	<u>\$ 500,393</u>	<u>\$ 603,680</u>

The recovery in the net realized value of inventory in 2021 was due to the increase in the selling price of the inventory in certain markets.

11. Real estate, plant, and equipment

	Self-owned Land	Buildings	Machinery	Transportation, office and other equipment	Total
<u>Cost</u>					
Balance as of January 1, 2021	\$ 1,121,462	\$ 569,620	\$ 1,897,373	\$ 460,714	\$ 4,049,169
Addition	-	-	9,806	2,150	11,956
Disposal	-	-	(1,391)	(519)	(1,910)
Reclassifications	-	-	13,690	-	13,690
Balance as of December 31, 2021	<u>\$ 1,121,462</u>	<u>\$ 569,620</u>	<u>\$ 1,919,478</u>	<u>\$ 462,345</u>	<u>\$ 4,072,905</u>
<u>Accumulated depreciation and impairment</u>					
Balance as of January 1, 2021	\$ -	\$ 328,843	\$ 1,786,560	\$ 348,154	\$ 2,463,557
Disposal	-	-	(1,308)	(519)	(1,827)
Depreciation	-	12,719	37,826	9,782	60,327
Reclassifications	-	(4)	-	4	-
Balance as of December 31, 2021	<u>\$ -</u>	<u>\$ 341,558</u>	<u>\$ 1,823,078</u>	<u>\$ 357,421</u>	<u>\$ 2,522,057</u>
Net as of December 31, 2021	<u>\$ 1,121,462</u>	<u>\$ 228,062</u>	<u>\$ 96,400</u>	<u>\$ 104,924</u>	<u>\$ 1,550,848</u>
<u>Cost</u>					
Balance as of January 1, 2022	\$ 1,121,462	\$ 569,620	\$ 1,919,478	\$ 462,345	\$ 4,072,905
Addition	-	-	12,566	2,328	14,894
Disposal	-	-	(16,522)	(1,918)	(18,440)
Reclassifications	-	-	29,005	2,393	31,398
Balance as of December 31, 2022	<u>\$ 1,121,462</u>	<u>\$ 569,620</u>	<u>\$ 1,944,527</u>	<u>\$ 465,148</u>	<u>\$ 4,100,757</u>
<u>Accumulated depreciation and impairment</u>					
Balance as of January 1, 2022	\$ -	\$ 341,558	\$ 1,823,078	\$ 357,421	\$ 2,522,057
Disposal	-	-	(16,422)	(1,916)	(18,338)
Depreciation	-	12,625	32,144	9,756	54,525
Balance as of December 31, 2022	<u>\$ -</u>	<u>\$ 354,183</u>	<u>\$ 1,838,800</u>	<u>\$ 365,261</u>	<u>\$ 2,558,244</u>
Net as of December 31, 2022	<u>\$ 1,121,462</u>	<u>\$ 215,437</u>	<u>\$ 105,727</u>	<u>\$ 99,887</u>	<u>\$ 1,542,513</u>

Depreciation of real estate, plant, and equipment on a straight-line basis is calculated according to the following durable years:

Buildings	
Main building of the plant	35~60 years
Mobile power equipment	45 years
Engineering systems	5~20 years
Others	3~15 years
Machinery	1~10 years
Transportation Equipment	5 years
Office Equipment	3~10 years
Other equipment	1~20 years

For the amount of real estate, plant, and equipment pledged as collateral, please refer to Notes 25.

12. Lease Agreements

- a. Lease arrangements under operating leases for the leasing out of investment properties are set out in Note 13.

The operating lease is to lease the investment real estate of the Company, and the lease term is 5~20 years. All tenancy agreements of operating lease contain a provision whereby the lessee, in exercising the right to renew the lease, adjusts the rent in accordance with the prevailing market rent rate. Lessees do not have preferential rights to acquire the real estate at the expiration of the lease period.

The total future minimum lease receivables for non-cancellable operating leases are as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Less than 1 year	\$ 108,153	\$ 97,843
1~5 years	399,555	392,559
Over 5 years	<u>348,365</u>	<u>370,274</u>
	<u>\$ 856,073</u>	<u>\$ 860,676</u>

- b. Other lease information

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Short-term lease expenses	<u>\$ -</u>	<u>\$ 90</u>
Total cash (outflows) on lease	<u>\$ -</u>	<u>(\$ 90)</u>

13. Investment properties

	<u>Land and improvements</u>	<u>Housing and Construction</u>	<u>Total</u>
<u>Cost</u>			
Balance as of January 1, 2021	\$ 1,461,736	\$ 238,927	\$ 1,700,663
Addition	<u>-</u>	<u>23,569</u>	<u>23,569</u>
Balance as of December 31, 2021	<u>\$ 1,461,736</u>	<u>\$ 262,496</u>	<u>\$ 1,724,232</u>
<u>Accumulated depreciation and impairment</u>			
Balance as of January 1, 2021	\$ 5,721	\$ 32,113	\$ 37,834
Depreciation	<u>-</u>	<u>1,341</u>	<u>1,341</u>

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	<u>Land and improvements</u>	<u>Housing and Construction</u>	<u>Total</u>
Balance as of December 31, 2021	<u>\$ 5,721</u>	<u>\$ 33,454</u>	<u>\$ 39,175</u>
Net as of December 31, 2021	<u>\$ 1,456,015</u>	<u>\$ 229,042</u>	<u>\$ 1,685,057</u>
<u>Cost</u>			
Balance as of January 1, 2022	\$ 1,461,736	\$ 262,496	\$ 1,724,232
Addition	<u>-</u>	<u>15,476</u>	<u>15,476</u>
Balance as of December 31, 2022	<u>\$ 1,461,736</u>	<u>\$ 277,972</u>	<u>\$ 1,739,708</u>
<u>Accumulated depreciation and impairment</u>			
Balance as of January 1, 2022	\$ 5,721	\$ 33,454	\$ 39,175
Depreciation	<u>-</u>	<u>1,375</u>	<u>1,375</u>
Balance as of December 31, 2022	<u>\$ 5,721</u>	<u>\$ 34,829</u>	<u>\$ 40,550</u>
Net as of December 31, 2022	<u>\$ 1,456,015</u>	<u>\$ 243,143</u>	<u>\$ 1,699,158</u>

Investment property is depreciated on a straight-line basis based on the following durable years:

Main building	25~50 years
Elevator equipment	15 years
Air conditioning system	5~8 years

Investment property includes several commercial real estates leased to others. Each lease contract includes the original non-cancellable lease period of approximately 10 to 20 years on average, and the subsequent lease period is negotiated with the lessee, and no contingent rent is collected.

As of December 31, 2022 and 2021, the rental deposit collected from the related lease contracts was NT\$ 38,390 thousand, and the account was deposited into the margin account.

The fair value of investment property is evaluated by the management of the Company using evaluation models commonly used by market participants. The evaluation is made with reference to market evidence of similar real estate transaction prices. The important assumptions and fair values of the evaluation are as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Fair value	<u>\$ 3,605,109</u>	<u>\$ 3,261,439</u>
Discount rate	3%	3%

The Company held freehold interests in all of its investment properties. For the amount of investment property pledged as collateral, please refer to Notes 25.

14. Short-term loans

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Secured loans</u> (Note 25)		
- Bank loans	\$ 567,500	\$ 524,500
<u>Unsecured loans</u>		
- Bank loans	-	20,000
	<u>\$ 567,500</u>	<u>\$ 544,500</u>

The interest rate range of bank loans is as follows :

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Secured loans	1.701%~2.15%	0.992%~1.2%
Unsecured loans	-	1.06%

15. Benefit Plan after Retirement

a. 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.

b. 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 6 months before the approved retirement date. The combined company contributes monthly an amount equal to 15% 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 balance sheets are as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Present value of defined benefit obligation	\$ 39,677	\$ 53,217
Fair value of plan assets	(33,307)	(38,412)
Net defined benefit liabilities	<u>\$ 6,370</u>	<u>\$ 14,805</u>

Changes in net defined benefit liabilities are as follows:

	<u>Present value of defined benefit obligation</u>	<u>Fair value of plan assets</u>	<u>Net defined benefit liabilities</u>
Balance as of January 1, 2021	<u>\$ 52,189</u>	<u>(\$ 39,347)</u>	<u>\$ 12,842</u>
Service cost			
Service cost for the current period	264	-	264
Interest expenses (income)	<u>157</u>	<u>(118)</u>	<u>39</u>
Recognized in profit or loss	<u>421</u>	<u>(118)</u>	<u>303</u>
Remeasurements			
Return on planned assets (excluding amounts included in net interest)	-	(621)	(621)
Actuarial losses - changes in total population assumptions	38	-	38
Actuarial gains - changes in financial assumptions	(\$ 1,644)	\$ -	(\$ 1,644)
Actuarial losses - experience adjustments	<u>4,971</u>	<u>-</u>	<u>4,971</u>
Recognized in other comprehensive income	<u>3,365</u>	<u>(621)</u>	<u>2,744</u>
Contribution by the employer	-	(1,084)	(1,084)
Benefit payment	<u>(2,758)</u>	<u>2,758</u>	<u>-</u>
Balance as of December 31, 2021	<u>53,217</u>	<u>(38,412)</u>	<u>14,805</u>
Service cost			
Service cost for the current period	287	-	287
Interest expenses (income)	<u>372</u>	<u>(269)</u>	<u>103</u>
Recognized in profit or loss	<u>659</u>	<u>(269)</u>	<u>390</u>
Remeasurements			
Return on planned assets (excluding amounts included in net interest)	-	(2,967)	(2,967)

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	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit liabilities
Actuarial gains - changes in financial assumptions	(1,901)	-	(1,901)
Actuarial loss - Experience adjustments	(102)	-	(102)
Recognized in other comprehensive income	(2,003)	(2,967)	(4,970)
Contribution by the employer	-	(2,438)	(2,438)
Direct payment	(1,417)	-	(1,417)
Benefit payment	(10,779)	10,779	-
Balance as of December 31, 2022	<u>\$ 39,677</u>	<u>(\$ 33,307)</u>	<u>\$ 6,370</u>

The amounts recognized in profit or loss for the defined benefit plans are summarized by function as follows:

	2022	2021
Operating cost	\$ 336	\$ 261
Operating expenses	54	42
	<u>\$ 390</u>	<u>\$ 303</u>

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

- 1) Investment risks: The Bureau of Labor Funds, Ministry of Labor invests the labor pension fund in equity securities, debt securities, and bank deposits in domestic (foreign) banks through independent implementation and commissioned operations. However, the distributed amount from the plan assets received by 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 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, 2022</u>	<u>December 31, 2021</u>
Discount rate	1.3%	0.7%
Expected salary increase rate	2.5%	2.5%

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

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Discount rate		
Increase by 0.25%	(\$ <u>752</u>)	(\$ <u>964</u>)
Decrease by 0.25%	<u>\$ 775</u>	<u>\$ 994</u>
Expected salary increase rate		
Increase by 0.25%	<u>\$ 666</u>	<u>\$ 842</u>
Decrease by 0.25%	(\$ <u>650</u>)	(\$ <u>822</u>)

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

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Expected amount of contribution within 1 year	<u>\$ 720</u>	<u>\$ 1,068</u>
Average duration of defined benefit obligations	8 years	8 years

16. Equity

a. Share capital

Common stock

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Number of shares authorized (in thousands)	<u>360,000</u>	<u>360,000</u>
Share capital authorized	<u>\$ 3,600,000</u>	<u>\$ 3,600,000</u>
Number of shares issued and fully paid (in thousands)	<u>220,000</u>	<u>220,000</u>
Share capital issued	<u>\$ 2,200,000</u>	<u>\$ 2,200,000</u>

Fully paid ordinary shares, which have a par value of \$10, carry one vote per share and a right to dividends.

b. Retained earnings and dividend policy

The shareholders' meeting of the Company has passed an amendment to its articles of Association by resolution on June 17, 2022, providing that the Company shall authorize the Board of Directors to make a special resolution that dividends and dividends shall be distributed in the form of cash and shall be reported to the shareholders' meeting.

According to the Earning Distribution Policy of the Company's Articles of Incorporation before the amendment, if the Company has a net profit for the current year, it shall first use the profit to pay income taxes and make up for any accumulated losses, and then set aside 10% as a legal capital reserve, and the rest shall be set aside or reversed as special surplus reserve according to the law. If there is still a balance and accumulated undistributed surplus, the board of directors shall prepare a proposal for the distribution of surplus and submit it to the shareholders' meeting for a resolution on the distribution of shareholders' dividends. For the policies on the distribution of employees' compensation and remuneration of directors before and after amendment, please refer to employee's compensation and remuneration of directors in Note 18 [6].

In order to maintain a stable balance of operating needs and annual dividends, the distribution of dividends shall not exceed 60% of the remaining distributable surplus.

The Company shall set aside a legal reserve until it 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 Company appropriates or reserves special reserve in accordance with the FSC No. 1090150022 issued by the FSC and the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs." Any subsequent reversal of the net decrease in other stockholders' equity is recognized as an appropriation of the reversed portion of earnings.

The shareholders' meetings approved the distribution of earnings for 2021 and 2020 on June 17, 2022 and July 1, 2021 are as follows:

	<u>2021</u>	<u>2020</u>
Legal reserve	\$ 15,338	\$ 8,013
Cash dividends	118,360	54,120
Cash dividend per share (NT\$)	0.538	0.246

The board of directors of the company approved the distribution of earnings for 2022 on March 15, 2023 are as follows:

	<u>2022</u>
Legal reserve	<u>\$ 9,955</u>
Cash dividends	<u>\$ 70,400</u>
Cash dividend per share (NT\$)	\$ 0.32

The cash dividend in respect of the distribution of earnings for 2022 has been distributed by the resolution of the Board of Directors on March 15, 2023, and the remaining earnings distribution is subject to the resolution of the shareholders' regular meeting scheduled for June 12, 2023.

- c. Unrealized appraisal profits and losses of financial assets at fair value through other comprehensive profits and losses

	<u>2022</u>	<u>2021</u>
Beginning balance	(\$ 100,843)	(\$ 95,592)
Incurred this year		
Unrealized profits (losses)		
Equity instruments	(100,274)	7,815
Accumulated gains (losses) on disposal of equity instruments transferred to retained earnings	<u>8,898</u>	(<u>13,066</u>)
Ending balance	(<u>\$ 192,219</u>)	(<u>\$ 100,843</u>)

17. Revenue

Identify the Company's customer contract revenue type as the "product sales revenue" type in accordance with IFRs No. 15. Please refer to Notes 29 for revenue subdivision information.

	<u>2022</u>	<u>2021</u>
Revenue from contracts with customers		
Sales revenue of commodities	\$ 561,132	\$ 689,386
Rental income		
Investment properties	<u>127,811</u>	<u>120,328</u>
	<u>\$ 688,943</u>	<u>\$ 809,714</u>

18. Net income

a. Interest income

	<u>2022</u>	<u>2021</u>
Interest income		
Bank deposits	<u>\$ 871</u>	<u>\$ 61</u>

b. Other income

	<u>2022</u>	<u>2021</u>
Dividend income		
Investments in equity instruments at fair value through profit and loss	\$ 564	\$ 591
Investments in equity instruments at fair value through other comprehensive income	<u>37,675</u>	<u>38,831</u>
Subtotal	<u>38,239</u>	<u>39,422</u>
Others		
Government subsidy income (Note 21)	1,618	10,371
Other income	<u>2,723</u>	<u>3,287</u>
Subtotal	<u>4,341</u>	<u>13,658</u>
Total other income	<u>\$ 42,580</u>	<u>\$ 53,080</u>

c. Other profits and losses

	<u>2022</u>	<u>2021</u>
Net foreign currency exchange profit or loss	\$ 6,881	(\$ 2,038)
Financial assets profit or loss mandatorily classified as at fair value through profit or loss	(10,377)	872
Disposal of interests in real estate, plant, and equipment	280	-
Others	<u>10,037</u>	<u>10,813</u>
	<u>\$ 6,821</u>	<u>\$ 9,647</u>

d. Depreciation and amortization expenses

	<u>2022</u>	<u>2021</u>
Depreciation expenses by function		
Operating cost	\$ 45,327	\$ 51,422
Operating expenses	4,128	3,801
Other losses	<u>6,445</u>	<u>6,445</u>
	<u>\$ 55,900</u>	<u>\$ 61,668</u>
Amortization expenses by function		
Operating expenses	<u>\$ 214</u>	<u>\$ 213</u>

e. Employee benefit expenses

	<u>2022</u>	<u>2021</u>
Short-term employee benefits	\$ 138,299	\$ 132,876
Retirement benefits (Note 15)		
Defined contribution plans	4,443	3,932
Defined benefit plans	<u>390</u>	<u>303</u>
	<u>4,833</u>	<u>4,235</u>
Other employee benefits	<u>9,057</u>	<u>8,482</u>
Total employee benefit expenses	<u>\$ 152,189</u>	<u>\$ 145,593</u>
By function		
Operating cost	\$ 106,440	\$ 99,424
Operating expenses	<u>45,749</u>	<u>46,169</u>
	<u>\$ 152,189</u>	<u>\$ 145,593</u>

f. Compensation to directors and employees

According to the provisions of the Articles of Incorporation, the Company shall set aside 1% to 5% and no more than 5% of the income before tax as the distribution of employees and directors' remuneration for the current year. The Company's estimated employee and directors' compensation in 2022 and 2021 are as follows:

Estimated column ratio

	<u>2022</u>	<u>2021</u>
Employee compensation	3.5%	2.5%
Director compensation	2.5%	2.5%

Amount

	<u>2022</u>	<u>2021</u>
	<u>Cash</u>	<u>Cash</u>
Employee compensation	<u>\$ 4,636</u>	<u>\$ 4,188</u>
Director Remuneration	<u>\$ 3,312</u>	<u>\$ 4,188</u>

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

The amounts of employee compensation distributed for the years ended December 31, 2021 and 2020 and those recognized in the financial statements for 2021 and 2020 are consistent.

For information on the Company's remunerations for employee and Directors as resolved by the Board of Directors, please visit the "Market Observation Post System" of Taiwan Stock Exchange.

19. Income Tax

a. Income tax recognized in profit or Loss

	<u>2022</u>	<u>2021</u>
Current income tax		
Accrued this year	\$ 22,869	\$ 7,810
Unappropriated retained earnings plus levy	-	900
Adjustments from previous years	(<u>962</u>)	(<u>1,155</u>)
	<u>21,907</u>	<u>7,555</u>
Deferred income tax		
Accrued this year	(1,749)	17,017
Unrecognized loss deduction/changes in deductible temporary differences	<u>-</u>	(<u>7,913</u>)
	(<u>1,749</u>)	<u>9,104</u>
Income tax expenses recognized in profit or Loss	<u>\$ 20,158</u>	<u>\$ 16,659</u>

Reconciliation between accounting income and current income tax expenses is as follows:

	<u>2022</u>	<u>2021</u>
Profit before income tax	<u>\$ 124,520</u>	<u>\$ 159,162</u>
Income tax expenses calculated at the statutory rate (20%)	\$ 24,904	\$ 31,832
Fees that cannot be deducted from taxes	555	202
Tax-exempted income	(4,339)	(7,207)
Unappropriated retained earnings plus levy	-	900
Unrecognized loss deduction/deductible temporary difference	-	(7,913)
Adjustments from previous years	(<u>962</u>)	(<u>1,155</u>)
Income tax expenses recognized in profit or Loss	<u>\$ 20,158</u>	<u>\$ 16,659</u>

b. Income tax expense (benefit) recognized as other comprehensive profit or loss

	<u>2022</u>	<u>2021</u>
<u>Current income tax</u>		
Remeasurements of defined benefit plans	\$ <u>994</u>	(\$ <u>548</u>)

c. Current income tax assets and liabilities

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Current income tax liabilities		
Income tax payable	\$ <u>19,004</u>	\$ <u>8,692</u>

d. Deferred income tax assets and liabilities

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

2022

	<u>Beginning balance</u>	<u>Recognized in profit or loss</u>	<u>Recognized in other comprehensive income</u>	<u>Ending balance</u>
<u>Deferred income tax assets</u>				
Temporary differences				
Real estate, plant, and equipment	\$ 39,093	\$ 2,099	\$ -	\$ 41,192
Allowance for inventory loss from market price decline and for loss on obsolete and slow-moving inventories	2,043	892	-	2,935
Defined benefit plans for retirement	2,960	(692)	(994)	1,274
Unrealized exchange losses	436	(436)	-	-
Others	<u>1,264</u>	<u>(28)</u>	<u>-</u>	<u>1,236</u>
	<u>\$ 45,796</u>	<u>\$ 1,835</u>	<u>(\$ 994)</u>	<u>\$ 46,637</u>
<u>Deferred income tax liabilities</u>				
Temporary differences				
Land value increment tax	(\$ 634,752)	\$ -	\$ -	(\$ 634,752)
Unrealized exchange profits	<u>-</u>	<u>(86)</u>	<u>-</u>	<u>(86)</u>
	<u>(\$ 634,752)</u>	<u>(\$ 86)</u>	<u>\$ -</u>	<u>(\$ 634,838)</u>

2021

	Beginning balance	Recognized in profit or loss	Recognized in other comprehensiv e income	Ending balance
<u>Deferred income tax assets</u>				
<u>Temporary differences</u>				
Real estate, plant, and equipment	\$ 36,994	\$ 2,099	\$ -	\$ 39,093
Allowance for inventory loss from market price decline and for loss on obsolete and slow-moving inventories	6,658	(4,615)	-	2,043
Defined benefit plans for retirement	2,568	(156)	548	2,960
Loss deduction	6,693	(6,693)	-	-
Unrealized exchange losses	265	171	-	436
Others	<u>1,180</u>	<u>84</u>	<u>-</u>	<u>1,264</u>
	<u>\$ 54,358</u>	<u>(\$ 9,110)</u>	<u>\$ 548</u>	<u>\$ 45,796</u>
<u>Deferred income tax liabilities</u>				
<u>Temporary differences</u>				
Land value increment tax	(\$ 634,752)	\$ -	\$ -	(\$ 634,752)
Unrealized exchange profits	(<u>6</u>)	<u>6</u>	<u>-</u>	<u>-</u>
	<u>(\$ 634,758)</u>	<u>\$ 6</u>	<u>\$ -</u>	<u>(\$ 634,752)</u>

e. Income tax assessment

The annual income tax returns of a profit-seeking enterprise through 2020 have been assessed by the tax authorities.

20. Earnings per Share

	<u>2022</u>	<u>2021</u>
Basic earnings per share	<u>\$ 0.47</u>	<u>\$ 0.65</u>
Diluted earnings per share	<u>\$ 0.47</u>	<u>\$ 0.65</u>

Net income and weighted average number of common shares used for calculation of earnings per share are as follows:

	<u>2022</u>	<u>2021</u>
Net income	<u>\$ 104,362</u>	<u>\$ 142,503</u>

<u>Number of shares</u>	Unit: Thousand shares	
	<u>2022</u>	<u>2021</u>
Weighted average number of common shares used for calculation of basic earnings per share	220,000	220,000
Effect of potentially dilutive common shares:		
Employee compensation	<u>503</u>	<u>258</u>
Weighted average number of common shares used for calculation of diluted earnings per share	<u>220,503</u>	<u>220,258</u>

If the Company chooses to offer employee compensation or share profits in the form of cash or stock, while calculating diluted earnings per share, and assuming that the compensation is paid in the form of stock, the dilutive potential common shares will be included in the weighted average number of outstanding shares to calculate diluted earnings per share. The dilutive effect of such potential common shares shall continue to be considered when calculating diluted earnings per share before the number of shares to be distributed as employee compensation is approved in the following year.

21. Government subsidies

Except as disclosed in other notes, the government subsidies obtained by the Company are as follows:

- a. The company implemented the Safe Employment Scheme implemented by the Labor Development Department of the Ministry of Labor and received a government subsidy of NT\$ 68 thousand in 2022, which has been recognized as other income.
- b. The company implemented the Ministry of Economy assists in the development of traditional industrial technologies and received a government subsidy of NT\$ 1,550 thousand and NT\$ 1,900 thousand in 2022 and 2021, which has been recognized as other income.
- c. The company implemented the Ministry of Economic Affairs' A+ Enterprise Quenching Plan - a plan to encourage domestic enterprises to set up R&D centers in Taiwan and received a government subsidy of NT\$ 8,471 thousand in 2021, which has been recognized as other income.

22. Capital Risk Management

The Company manages capital management under the precondition for sustainable development to ensure that it is able to maximize the benefit for its shareholders by optimizing debt and equity. There are no major changes in the Company's overall strategy.

The capital structure of the merging company is composed of net liabilities (loans less cash and cash equivalents) and equities attributable to the owners of the Company (capital, capital reserve, retained earnings, and other equity items).

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

23. Financial instruments

a. Information on fair value - financial instruments not measured at fair value

For financial assets and liabilities not measured at fair value, the Company's management believes that the carrying amounts and fair values are not materially different.

b. Information on fair value - financial instruments measured at fair value on a recurring basis

1) Fair value level

December 31, 2022

	Level 1	Level 2	Level 3	Total
<u>Financial assets at fair value through profit or loss</u>				
Gold Passbook	\$ 5,533	\$ -	\$ -	\$ 5,533
Financial bonds	6,844	-	-	6,844
Fund beneficiary certificates	43,159	-	-	43,159
	<u>\$ 55,536</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 55,536</u>
<u>Financial Assets at Fair Value through Other Comprehensive Income</u>				
Investments in equity instruments				
- Domestically listed stocks	\$ 300,559	\$ -	\$ -	\$ 300,559
- Internationally listed stocks	50,872	-	-	50,872
- Domestically non-listed stocks	-	-	1,611	1,611
	<u>\$ 351,431</u>	<u>\$ -</u>	<u>\$ 1,611</u>	<u>\$ 353,042</u>

December 31, 2021

	Level 1	Level 2	Level 3	Total
<u>Financial assets at fair value through profit or loss</u>				
Gold Passbook	\$ 12,855	\$ -	\$ -	\$ 12,855
Financial bonds	8,394	-	-	8,394

(Continued on the next page)

(Continued from the previous page)

	Level 1	Level 2	Level 3	Total
Fund beneficiary certificates	41,635	-	-	41,635
	<u>\$ 62,884</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 62,884</u>
<u>Financial Assets at Fair Value</u> <u>through Other</u> <u>Comprehensive Income</u>				
Investments in equity instruments				
- Domestically listed stocks	\$ 308,084	\$ -	\$ -	\$ 308,084
- Internationally listed stocks	68,972	-	-	68,972
- Domestically non-listed stocks	-	-	1,869	1,869
	<u>\$ 377,056</u>	<u>\$ -</u>	<u>\$ 1,869</u>	<u>\$ 378,925</u>

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

2) Reconciliation of financial instruments at Level 3 fair value measurement

December 31, 2022

Financial assets	Financial Assets at Fair Value through Other Comprehensive Income Equity instruments
Beginning balance	\$ 1,869
Recognized in other comprehensive income	(258)
Ending balance	<u>\$ 1,611</u>

December 31, 2021

Financial assets	Financial Assets at Fair Value through Other Comprehensive Income Equity instruments
Beginning balance	\$ 1,600
Recognized in other comprehensive income	269
Ending balance	<u>\$ 1,869</u>

3) Valuation techniques and inputs of Level 3 fair value measurement:

Domestically non-listed equity investment adopts the asset approach and calculates the present value of the expected income from holding this investment at the fair value of the net assets.

c. Category of financial instruments

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Financial assets</u>		
Measured at fair value through profit or loss		
Mandatorily measured at fair value through profit or loss	\$ 55,536	\$ 62,884
Financial assets at amortized cost (Note 1)	240,854	339,473
Financial Assets at Fair Value through Other Comprehensive Income Investments in equity instruments	353,042	378,925
<u>Financial liabilities</u>		
Measured at amortized cost (Note 2)	606,351	600,316

Note 1: The balance includes financial assets measured at amortized cost, such as cash and cash equivalents, debt instrument investments, note receivables, account receivables, other receivables, and refundable deposits.

Note 2: The balance includes financial liabilities measured at amortized cost such as short-term borrowings, accounts payables, some other payables and some deposits on margin.

d. Financial risk management objectives and policies

The main financial instruments of the Company include equity instrument investments, notes and account receivables, account payables, and loans. The financial management department of the Company provides services for the business units, coordinates the operation of the domestic financial market, and supervises and manages financial risks related to the operation of the Company by analyzing the internal risk reports of the risks according to the level and scope of risks. Such risks include market risk (foreign exchange risk, interest rate risk, and other price risk), credit risk, and liquidity risk.

The Corporation avoids risk exposure through derivative financial instruments, to ease the influence. The utilization of derivative financial instruments is regulated by policies passed by the Board meeting of the Corporation, which serve as the written principle for utilization of exchange rate risk, interest rate risk, credit risk, derivative financial instruments and non-derivative financial instruments as well as investment of remaining working capital. Internal audit staff will continuously review the conformity to policies and risk exposure limits. The Company did not perform any financial instruments (including derivative financial instruments) transaction for speculative purposes.

1) Market risk

The main financial risks that the Company's operating activities make the Company bear are the risk of changes in foreign currency exchange rates (refer to (a) below) and the risk of changes in interest rates (refer to (b) below).

a) Foreign exchange risk

The Company's exchange rate risk arising from the purchase or sale of non-functional currency denominated goods, which is within the scope of policy permission, and forward foreign exchange contracts are used to manage the risk. For the monetary assets and liabilities of the Company denominated in non-functional currencies on the balance sheet date, refer to Notes 27.

Sensitivity analysis

The Company is mainly exposed to USD fluctuations.

The following table details the sensitivity analysis of the Company when the exchange rate of NT\$ (functional currency) to each relevant foreign currency increases and decreases by 5%. A sensitivity rate of 5% is used internally when foreign exchange risk is reported to the management. It also represents the management's assessment on the reasonably possible scope of foreign exchange rates. Sensitivity analysis only includes monetary items in foreign currencies in circulation and forward foreign exchange contracts designated as cash flow hedging, and the conversion at the end of the period is adjusted with a change in exchange rate of 5%. The positive numbers in the following table indicate the amount that will reduce the net profit before tax when NT\$ appreciates 5% relative to each relevant currency; when NT\$ depreciates 5% relative to each relevant foreign currency, impact on net profit before tax will be the negative of the same amount.

	<u>2022</u>	<u>2021</u>
Profit or loss		
USD	\$ 4,545	\$ 3,118

b) Interest rate risk

The interest rate risk insurance was incurred because of borrowed funds at floating interest rates by the Company.

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

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Fair value interest rate risk		
- Financial assets	\$ 123,737	\$ 42,600
Cash flow interest rate risk		
- Financial assets	78,513	232,822
- Financial liabilities	567,500	544,500

Sensitivity analysis

The sensitivity analysis below is prepared based on the risk exposure of derivative and non-derivative instruments to the interest rates at balance sheet date. For liabilities at floating interest rates, the analysis assumes that the amount of liabilities out of circulation on the balance sheet date is in circulation throughout the year. The rate of change used when reporting interest rates within the Group to key management is a 50 basis point increase or decrease in interest rates, which also represents management's assessment of the reasonably possible range of changes in interest rates.

If interest rates increase/decrease by 50 basis points and all other variables remain unchanged, the Company's pre-tax net profit for 2022 and 2021 will decrease/increase by NT\$ 2,445 thousand and NT\$ 1,558 thousand mainly due to the Company's variable interest rate borrowings.

c) Other price risk

The company's portfolio and equity securities due to the benefits of investment arising from the value of vouchers and equity risk. The company benefit

voucher and equity price risk concentrated on the financial instruments and equity instruments of the Taiwan exchange.

Sensitivity analysis

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

If the equity price increases/decreases by 10%, pre-tax profit and loss of the Company for 2022 and 2021 will increase/decrease by NT\$ 4,316 thousand and NT\$ 4,164 thousand respectively due to the increase/decrease in the fair value of financial assets measured at fair value through profit or loss. Other comprehensive profit or loss before tax of the Company for 2022 and 2021 will increase/decrease by NT\$ 35,304 thousand and NT\$ 37,893 thousand, respectively, due to the increase/decrease in the fair value of financial assets measured at fair value through other comprehensive profits or losses.

The Company's sensitivity to equity securities investment has not changed significantly compared to the previous year.

2) Credit risk

Credit risk refers to risk that causes the financial loss of the Company due to a counterparty's delay in performing contractual obligations. As of the balance sheet date, the largest credit risk exposure of the Company that may cause financial losses due to the counterparty's failure to perform its obligations is mainly derived from the book value of financial assets recognized on the balance sheet.

In accordance with the internally specified credit policy, the Company shall conduct management and credit risk analysis on each of its new customers before setting the payment conditions. The internal risk control assesses customers' credit quality by taking into account their financial position, historical experience, and other factors.

The Company's credit risk is mainly concentrated on the Company's top ten customers. As of December 31, 2022 and 2021, the ratio of total accounts receivable from the aforementioned customers was 74% and 75%, respectively.

3) Liquidity risk

The Company supports the operations and reduces the impact of fluctuating cash flows by managing and maintaining sufficient cash and cash equivalents.

The Company relies on bank borrowings as a significant source of liquidity, please refer to the following description.

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Unsecured bank loan facilities		
- Amount utilized	\$ -	\$ 20,000
- Amount not utilized	<u>50,000</u>	<u>30,000</u>
	<u>\$ 50,000</u>	<u>\$ 50,000</u>
Secured bank loan facilities		
- Amount utilized	\$ 567,500	\$ 524,500
- Amount not utilized	<u>1,207,500</u>	<u>1,250,500</u>
	<u>\$ 1,775,000</u>	<u>\$ 1,775,000</u>

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

The remaining contract maturity analysis of non-derivative financial liabilities is compiled based on the undiscounted cash flow of financial liabilities based on the earliest possible repayment date of the Company. Specifically, the Company's bank borrowings with repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights immediately. The analysis of maturity dates for other non-derivative financial liabilities is based on the agreed repayment dates.

The amount of undiscounted interests relating to cash flow paid from floating rate payments is extrapolated based on the interest rate yield curve at the end of the reporting period.

December 31, 2022

	Payment on Sight or within 1 Month	1~3 Month(s)	3~12 Months	1~5 year(s)	Over 5 Years
<u>Non-derivative financial liabilities</u>					
Zero-interest-bearing liabilities	\$ 31,889	\$ 12,950	\$ 22,435	\$ 1,197	\$ -
Guarantee deposits received	-	-	-	6,422	38,390
Variable-rate instruments	<u>356</u>	<u>2,715</u>	<u>575,645</u>	<u>-</u>	<u>-</u>
	<u>\$ 32,245</u>	<u>\$ 15,665</u>	<u>\$ 598,080</u>	<u>\$ 7,619</u>	<u>\$ 38,390</u>

December 31, 2021

	Payment on Sight or within 1 Month	1~3 Month(s)	3~12 Months	1~5 year(s)	Over 5 Years
<u>Non-derivative financial liabilities</u>					
Zero-interest-bearing liabilities	\$ 37,586	\$ 13,794	\$ 28,416	\$ 7,415	\$ -
Guarantee deposits received	-	-	-	8,370	38,390
Variable-rate instruments	195	140,008	410,038	-	-
	<u>\$ 37,781</u>	<u>\$ 153,802</u>	<u>\$ 438,454</u>	<u>\$ 15,785</u>	<u>\$ 38,390</u>

24. Related Party Transactions

In addition to those disclosed in other notes, the transactions between the Company and other related parties are as follows:

a. Names and relations of related parties

<u>Related Party</u>	<u>Relationship with the Company</u>
Fengtar Fuli Industry Co., Ltd.	Other related parties - The same person as the chairman
All directors and general managers	The Company's main management

b. Rewards for the main management

	<u>2022</u>	<u>2021</u>
Short-term employee benefits	\$ 6,185	\$ 5,200
Retirement benefits	203	201
	<u>\$ 6,388</u>	<u>\$ 5,401</u>

The remuneration to directors and the management is determined by the Remuneration Committee based on personal performances and market trends.

The Company provided an undiscounted balance of NT\$ 355 thousand (cost of NT\$ 3,820 thousand deduct accumulated depreciation of NT\$ 3,465 thousand) for the use of the major management.

c. Other related parties transactions

The Company leases part of the office building and parking space to Fengtar Fuli Industrial Co., Ltd. The details are as follows:

	<u>2022</u>	<u>2021</u>
Rental income	<u>\$ 413</u>	<u>\$ 466</u>

The above rental income accounts for the rental income under the operating income of the income statement. As of December 31, 2022 and 2021, the rental deposits collected were both NT\$ 106 thousand and NT\$ 133 thousand, which were recognized as the margin account.

25. Pledged Assets

The following assets of the Company have been provided as guarantees for bank loans:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Real estate, plant, and equipment	\$ 813,287	\$ 825,278
Investment properties	<u>979,647</u>	<u>960,268</u>
	<u>\$ 1,792,934</u>	<u>\$ 1,785,546</u>

26. Significant Contingent Liabilities and Unrecognized Contract Commitments

Except for those disclosed in other notes, significant commitments and contingencies of the Company on the balance sheet date are as follows:

a. Significant Commitments

As of December 31, 2022 and 2021, the amount of unused letters of credit issued by the Company for the purchase of raw materials are as follows:

<u>Type of currency</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
USD	\$ 1,399	\$ -
EUR	-	110

- b. The Company leases 15 pieces of land in the Kanjiao Section of Rende District, Tainan City after being developed and set up as a warehouse and wholesale area. Each lease agreement stipulates that the construction price of the leased property on the land shall be paid by the lessee. However, with our company as the initiator, if there are non-lessee factors during the lease period, such as the Company's desire to sell land, the leased land cannot be used due to government expropriation or changes in-laws, or the Company violates the contract, the lease must be terminated early, the Company shall return the deposits collected without interest or accrued interest, the unexpired rents received and the construction price of the unexpired ground leases have not been amortized on schedule, which is the balance of the rent received in advance. As of December 31, 2022 and 2021, the unamortized advance rental balances of these land lease prices were NT\$ 104,409 thousand and NT\$ 145,632 thousand, respectively.

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

Information on financial assets and liabilities of the Company which are denominated in foreign currencies with significant influence is as follows:

December 31, 2022

	<u>Foreign Currency</u>	<u>Exchange Rate</u>	<u>Carrying amount</u>
<u>Financial assets</u>			
<u>Monetary items</u>			
USD	\$ 2,964	30.71 (USD: NTD)	\$ 91,021

December 31, 2021

	<u>Foreign Currency</u>	<u>Exchange Rate</u>	<u>Carrying amount</u>
<u>Financial assets</u>			
<u>Monetary items</u>			
USD	\$ 2,259	27.68 (USD: NTD)	\$ 62,531

The Company mostly undertakes exchange rate risk in US Dollars. The following information is summarized and expressed in terms of the functional currencies of the entities holding foreign currencies. The exchange rates disclosed refer to the exchange rates of these functional currencies into the expressed currency. The foreign currency exchange profits or losses (realized and unrealized) that have a significant impact are as follows:

	<u>2022</u>		<u>2021</u>	
<u>Functional Currency</u>	<u>Functional currency:express currency</u>	<u>Net exchange profits (losses)</u>	<u>Functional currency:express currency</u>	<u>Net exchange profits (losses)</u>
NTD	1(NTD: NTD)	<u>\$ 6,881</u>	1(NTD: NTD)	<u>(\$ 2,038)</u>

28. Supplementary Disclosures

- a. Information on significant transactions and
- b. Information on invested companies:
 - 1) Loans provided for others: None.
 - 2) Endorsement/guarantee for others: None.
 - 3) Marketable securities holding at the end of the period: Attachment 1
 - 4) Marketable Securities Acquired and Disposed of Amounting to NT\$300 Million or 20% of the Paid-in Capital or More: None.
 - 5) Acquisition of property amounting to NT\$300 million or 20% of paid-in capital or more: None.

- 6) Disposal of property amounting to NT\$300 million or 20% of paid-in capital or more: None.
 - 7) Purchases from or sales to related parties amounting to NT\$100 million or 20% of the paid-in capital or more: None.
 - 8) Receivables from related parties amounting to NT\$100 million or 20% of paid-up capital or more: None.
 - 9) Engaging in derivatives trading: None
 - 10) Others: Business relationship and important transaction status and amount between parent and subsidiary companies and between subsidiaries: None.
 - 11) Information of the investee company: None.
- c. Reinvestment in mainland China: None.
- d. Information on major shareholders: The name of major shareholders, number of shares and percentage of ownership for those who holds 5% or more of ownership. (Appendix 2)

29. Segment Information

The information is provided to the main business decision-makers to allocate resources and to evaluate the performance of each segment, focusing on the category of product or service delivered or provided. The Company's reportable segments are as follows:

Spinning Segment: It is engaged in the manufacture and sale of various spinning products.

Headquarters: It is engaged in the business of entrusting construction companies to build, lease and sell national residences.

a. Segment revenue and operating results

The income and operating results of the Company are analyzed by the reporting segment as follows:

2022

	<u>Spinning segment</u>	<u>Headquarters</u>	<u>Total</u>
Segment income	<u>\$ 561,132</u>	<u>\$ 127,811</u>	<u>\$ 688,943</u>
Segment profit or loss	<u>\$ 2,650</u>	<u>\$ 78,209</u>	\$ 80,859
Interest income			871
Other income			42,580
Other profits and losses			6,821
Finance costs			(6,611)
Profit before income tax			<u>\$ 124,520</u>

2021

	<u>Spinning segment</u>	<u>Headquarters</u>	<u>Total</u>
Segment income	<u>\$ 689,386</u>	<u>\$ 120,328</u>	<u>\$ 809,714</u>
Segment profit or loss	<u>\$ 27,489</u>	<u>\$ 74,804</u>	\$ 102,293
Interest income			61
Other income			53,080
Other profits and losses			9,647
Finance costs			(5,919)
Profit before income tax			<u>\$ 159,162</u>

Departmental profits and losses refer to the profits earned by each segment, excluding interest income, disposition of real estate, plant and equipment, profit or losses on disposal of investments, foreign currency exchange net (profit) losses, financial instrument evaluation profits or losses, financial cost, and income tax expenses. The measured amounts are reported to the chief operating decision-maker for the purpose of resource allocation and assessment of segment performance.

The measured amount of segment assets and liabilities is not provided to the business decision-maker, therefore, the measured amount of related assets and liabilities are all zero.

b. Main products and lease income

The main products and lease income analysis of the Company are as follows:

	<u>2022</u>	<u>2021</u>
General yarn	\$ 156,246	\$ 213,271
Special yarn	404,737	475,830
Others	149	285
Rental income	<u>127,811</u>	<u>120,328</u>
	<u>\$ 688,943</u>	<u>\$ 809,714</u>

c. Geographical information

The Company mainly operates in three regions - Taiwan, China, and Hong Kong.

The Company's revenues made by external customers classified by the location of the business and the non-current assets are as follows:

	<u>Revenue from external customers</u>		<u>Non-current assets</u>	
	<u>2022</u>	<u>2021</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Taiwan	\$ 683,719	\$ 784,398	\$ 3,250,849	\$ 3,252,855
Hong Kong	72	289	-	-
Japan	2,964	8,067	-	-
Mainland China	2,128	7,837	-	-
Others	<u>60</u>	<u>9,123</u>	<u>-</u>	<u>-</u>
	<u>\$ 688,943</u>	<u>\$ 809,714</u>	<u>\$ 3,250,849</u>	<u>\$ 3,252,855</u>

Non-current assets do not include financial instruments and deferred tax assets.

d. Major customer information

Individual customers from whom at least 10% of net revenue of the Company is generated are as follows:

	<u>2022</u>	<u>2021</u>
Customer A	<u>\$ 97,938</u>	<u>\$ 124,898</u>

Tung Ho Textile Co., Ltd.
Securities Held at End of Period
December 31, 2022

Table 1

Unit: Thousand shares, NT\$, and foreign currency in thousand

Securities Holding Company	Type and Name of Securities	Relationship with Issuer of Securities	Ledger Account	Ending Balance				Note
				Number of Share	Carrying amount	Shareholding ratio (%)	Fair value	
Tung Ho Textile Co., Ltd.	<u>Share</u>							
	Uni-President Enterprises Co., Ltd.	—	Financial assets at fair value through other comprehensive profit or loss - Current	10	\$ 666	-	\$ 666	Note 1
	Sunjuice Holdings Co., Limited	—	Financial assets at fair value through other comprehensive profit or loss - Current	8	2,172	0.02	2,172	Note 1
	UPC Technology Corp..	—	Financial assets at fair value through other comprehensive profit or loss - Current	407	5,535	0.03	5,535	Note 1
	TAH HSIN INDUSTRIAL CORPORATION	—	Financial assets at fair value through other comprehensive profit or loss - Current	68	4,797	0.07	4,797	Note 1
	Universal Incorporation	—	Financial assets at fair value through other comprehensive profit or loss - Current	91	2,471	0.11	2,471	Note 1
	Far Eastern New Century Corporation	—	Financial assets at fair value through other comprehensive profit or loss - Current	1	17	-	17	Note 1
	Everest Textile Co., Ltd.	—	Financial assets at fair value through other comprehensive profit or loss - Current	102	723	0.01	723	Note 1
	KINIK COMPANY	—	Financial assets at fair value through other comprehensive profit or loss - Current	15	1,582	0.01	1,582	Note 1
	St.Shine Optical Co., Ltd.	—	Financial assets at fair value through other comprehensive profit or loss - Current	30	7,395	0.06	7,395	Note 1
	AEON Motor Co. , Ltd.	—	Financial assets at fair value through other comprehensive profit or loss - Current	16	626	0.02	626	Note 1
	Sampo Corporation	—	Financial assets at fair value through other comprehensive profit or loss - Current	360	9,540	0.09	9,540	Note 1
	TAIYENBIOTECH CO., LTD.	—	Financial assets at fair value through other comprehensive profit or loss - Current	10	324	0.01	324	Note 1
	Cheng Loong Corporation	—	Financial assets at fair value through other comprehensive profit or loss - Current	10	273	-	273	Note 1
	China Steel Corporation	—	Financial assets at fair value through other comprehensive profit or loss - Current	69	2,056	-	2,056	Note 1
	FENG HSIN IRON & STEEL CO., LTD.	—	Financial assets at fair value through other comprehensive profit or loss - Current	30	1,911	0.01	1,911	Note 1
	Ta Chen Stainless Pipe Co., Ltd.	—	Financial assets at fair value through other comprehensive profit or loss - Current	3	117	-	117	Note 1
	YV INOX Co., Ltd.	—	Financial assets at fair value through other comprehensive profit or loss - Current	41	1,187	0.01	1,187	Note 1
	China Motor Corporation	—	Financial assets at fair value through other comprehensive profit or loss - Current	14	721	-	721	Note 1
	Sanyang Motor Co., Ltd.	—	Financial assets at fair value through other comprehensive profit or loss - Current	30	1,015	-	1,015	Note 1
Yulon Nissan Motor Co., Ltd.	—	Financial assets at fair value through other comprehensive profit or loss - Current	140	26,460	0.05	26,460	Note 1	
Taiwan Semiconductor Manufacturing Co., Ltd.	—	Financial assets at fair value through other comprehensive profit or loss - Current	2	897	-	897	Note 1	
Winbond Electronics Corporation	—	Financial assets at fair value through other comprehensive profit or loss - Current	130	2,548	-	2,548	Note 1	
Synnex Technology International Corp.	—	Financial assets at fair value through other comprehensive profit or loss - Current	1	30	-	30	Note 1	

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Securities Holding Company	Type and Name of Securities	Relationship with Issuer of Securities	Ledger Account	Ending Balance				Note
				Number of Share	Carrying amount	Shareholding ratio (%)	Fair value	
	SDI Corporation	—	Financial assets at fair value through other comprehensive profit or loss - Current	5	482	-	482	Note 1
	ASUSTek Computer Inc.	—	Financial assets at fair value through other comprehensive profit or loss - Current	38	10,203	0.01	10,203	Note 1
	GIGABYTE Technology Co., Ltd.	—	Financial assets at fair value through other comprehensive profit or loss - Current	34	3,621	0.01	3,621	Note 1
	Micro-Star International Co., Ltd.	—	Financial assets at fair value through other comprehensive profit or loss - Current	80	9,560	0.01	9,560	Note 1
	Realtek Semiconductor Corp.	—	Financial assets at fair value through other comprehensive profit or loss - Current	10	2,810	-	2,810	Note 1
	United Integrated Services Co., Ltd.	—	Financial assets at fair value through other comprehensive profit or loss - Current	5	915	-	915	Note 1
	Weltrend Semiconductor Inc.	—	Financial assets at fair value through other comprehensive profit or loss - Current	24	\$ 991	0.01	\$ 991	Note 1
	MEDIATEK INC.	—	Financial assets at fair value through other comprehensive profit or loss - Current	4	2,500	-	2,500	Note 1
	ELAN MICROELECTRONICS CORP.	—	Financial assets at fair value through other comprehensive profit or loss - Current	24	2,064	0.01	2,064	Note 1
	SIWARD CRYSTAL TECHNOLOGY CO., LTD	—	Financial assets at fair value through other comprehensive profit or loss - Current	2	68	-	68	Note 1
	KUO YANG CONSTRUCTION CO., LTD.	—	Financial assets at fair value through other comprehensive profit or loss - Current	26	473	0.01	473	Note 1
	KINDOM DEVELOPMENT CO., LTD.	—	Financial assets at fair value through other comprehensive profit or loss - Current	203	5,913	0.04	5,913	Note 1
	HUANG HSIANG CONSTRUCTION CORPORATION	—	Financial assets at fair value through other comprehensive profit or loss - Current	219	8,859	0.07	8,859	Note 1
	KEDGE CONSTRUCTION CO., LTD.	—	Financial assets at fair value through other comprehensive profit or loss - Current	2	113	-	113	Note 1
	HUAKU DEVELOPMENT CO., LTD.	—	Financial assets at fair value through other comprehensive profit or loss - Current	23	2,014	0.01	2,014	Note 1
	EVERGREEN MARINE CORPORATION (TAIWAN) LTD.	—	Financial assets at fair value through other comprehensive profit or loss - Current	26	4,238	-	4,238	Note 1
	T3EX Global Holdings Corp.	—	Financial assets at fair value through other comprehensive profit or loss - Current	105	8,003	0.07	8,003	Note 1
	China Development Financial Holding Co., Ltd.	—	Financial assets at fair value through other comprehensive profit or loss - Current	35	441	-	441	Note 1
	National Aerospace Fasteners Corporation	—	Financial assets at fair value through other comprehensive profit or loss - Current	10	709	0.02	709	Note 1
	LARGAN Precision Co., Ltd.	—	Financial assets at fair value through other comprehensive profit or loss - Current	1	2,040	-	2,040	Note 1
	Zero One Technology Co. Ltd.	—	Financial assets at fair value through other comprehensive profit or loss - Current	42	1,678	0.03	1,678	Note 1
	WEIKENG INDUSTRIAL CO., LTD.	—	Financial assets at fair value through other comprehensive profit or loss - Current	10	263	-	263	Note 1
	NOVATEK MICROELECTRONICS CORP.	—	Financial assets at fair value through other comprehensive profit or loss - Current	1	315	-	315	Note 1
	FARADAY TECHNOLOGY CORPORATION	—	Financial assets at fair value through other comprehensive profit or loss - Current	4	570	-	570	Note 1
	WT MICROELECTRONICS CO., LTD.	—	Financial assets at fair value through other comprehensive profit or loss - Current	198	12,098	0.02	12,098	Note 1
	Global View Co. Ltd.	—	Financial assets at fair value through other comprehensive profit or loss - Current	18	528	0.03	528	Note 1

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Securities Holding Company	Type and Name of Securities	Relationship with Issuer of Securities	Ledger Account	Ending Balance				Note
				Number of Share	Carrying amount	Shareholding ratio (%)	Fair value	
	NICHIDENBO CORPORATION	—	Financial assets at fair value through other comprehensive profit or loss - Current	10	526	-	526	Note 1
	Dynapack International Technology Corporation	—	Financial assets at fair value through other comprehensive profit or loss - Current	78	5,694	0.05	5,694	Note 1
	Wistron Corporation	—	Financial assets at fair value through other comprehensive profit or loss - Current	21	617	-	618	Note 1
	International Games System Co., Ltd.	—	Financial assets at fair value through other comprehensive profit or loss - Current	2	867	-	867	Note 1
	Radiant Innovation Inc.	—	Financial assets at fair value through other comprehensive profit or loss - Current	70	1,974	0.16	1,974	Note 1
	Utechzone Co., Ltd.	—	Financial assets at fair value through other comprehensive profit or loss - Current	11	879	0.02	879	Note 1
	Innolux Corporation	—	Financial assets at fair value through other comprehensive profit or loss - Current	12	130	-	130	Note 1
	ALLTOP TECHNOLOGY CO., LTD.	—	Financial assets at fair value through other comprehensive profit or loss - Current	5	573	0.01	573	Note 1
	FocalTech Systems Co., Ltd.	—	Financial assets at fair value through other comprehensive profit or loss - Current	20	1,172	0.01	1,172	Note 1
	Machvision Inc.	—	Financial assets at fair value through other comprehensive profit or loss - Current	64	8,357	0.14	8,357	Note 1
	TSC Auto ID Technology Co., Ltd.	—	Financial assets at fair value through other comprehensive profit or loss - Current	5	962	0.01	962	Note 1
	Nishoku Technology Inc.	—	Financial assets at fair value through other comprehensive profit or loss - Current	53	4,839	0.08	4,839	Note 1
	MiTAC Holdings Corporation	—	Financial assets at fair value through other comprehensive profit or loss - Current	102	3,009	0.01	3,009	Note 1
	Taidoc Technology Corporation	—	Financial assets at fair value through other comprehensive profit or loss - Current	20	3,700	0.02	3,700	Note 1
	Star Comgistic Capital Co., Ltd.	—	Financial assets at fair value through other comprehensive profit or loss - Current	174	\$ 4,715	0.22	\$ 4,715	Note 1
	ASIA TECH IMAGE INC.	—	Financial assets at fair value through other comprehensive profit or loss - Current	11	627	0.02	627	Note 1
	K Way Information Corporation	—	Financial assets at fair value through other comprehensive profit or loss - Current	80	2,220	0.26	2,220	Note 1
	CTCI ADVANCED SYSTEMS INC.	—	Financial assets at fair value through other comprehensive profit or loss - Current	5	393	0.02	393	Note 1
	ASPEED TECHNOLOGY INC.	—	Financial assets at fair value through other comprehensive profit or loss - Current	1	1,853	-	1,853	Note 1
	Heran Co., Ltd.	—	Financial assets at fair value through other comprehensive profit or loss - Current	2	212	-	212	Note 1
	CORETRONIC CORPORATION	—	Financial assets at fair value through other comprehensive profit or loss - Current	20	1,138	0.01	1,138	Note 1
	TAIWAN SEMICONDUCTOR CO., LTD.	—	Financial assets at fair value through other comprehensive profit or loss - Current	45	3,339	0.02	3,339	Note 1
	Yungshin Construction & Development Co., Ltd.	—	Financial assets at fair value through other comprehensive profit or loss - Current	43	2,344	0.02	2,344	Note 1
	RICH DEVELOPMENT CONSTRUCTION CO., LTD.	—	Financial assets at fair value through other comprehensive profit or loss - Current	37	319	-	319	Note 1
	Chong Hong Construction Co., Ltd.	—	Financial assets at fair value through other comprehensive profit or loss - Current	3	191	-	191	Note 1
	Acter Group Corporation Limited	—	Financial assets at fair value through other comprehensive profit or loss - Current	22	2,241	0.02	2,241	Note 1

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Securities Holding Company	Type and Name of Securities	Relationship with Issuer of Securities	Ledger Account	Ending Balance				Note
				Number of Share	Carrying amount	Shareholding ratio (%)	Fair value	
	DIMERCO EXPRESS CORPORATION	—	Financial assets at fair value through other comprehensive profit or loss - Current	40	2,792	0.03	2,792	Note 1
	POYA International Co., Ltd.	—	Financial assets at fair value through other comprehensive profit or loss - Current	2	1,035	-	1,035	Note 1
	Grand Ocean Retail Group Limited	—	Financial assets at fair value through other comprehensive profit or loss - Current	135	2,329	0.07	2,329	Note 1
	CHIPBOND TECHNOLOGY CORPORATION	—	Financial assets at fair value through other comprehensive profit or loss - Current	25	1,435	-	1,435	Note 1
	Radiant Opto-Electronics Corp.	—	Financial assets at fair value through other comprehensive profit or loss - Current	32	3,360	0.01	3,360	Note 1
	ITEQ CORPORATION	—	Financial assets at fair value through other comprehensive profit or loss - Current	17	1,234	-	1,234	Note 1
	TMP Steel Corporation	—	Financial assets at fair value through other comprehensive profit or loss - Current	6	144	0.01	144	Note 1
	Sigurd Microelectronics Corporation	—	Financial assets at fair value through other comprehensive profit or loss - Current	85	4,127	0.02	4,127	Note 1
	Youngtek Electronics Corporation	—	Financial assets at fair value through other comprehensive profit or loss - Current	49	2,798	0.04	2,798	Note 1
	Flexium Interconnect, Inc.	—	Financial assets at fair value through other comprehensive profit or loss - Current	5	490	-	490	Note 1
	Taiwan Union Technology Corporation	—	Financial assets at fair value through other comprehensive profit or loss - Current	25	1,285	0.01	1,285	Note 1
	Egis Technology Inc.	—	Financial assets at fair value through other comprehensive profit or loss - Current	129	7,804	0.19	7,804	Note 1
	Interactive Digital Technologies Inc.	—	Financial assets at fair value through other comprehensive profit or loss - Current	20	1,242	0.05	1,242	Note 1
	Medigen Vaccine Biologics Corporation	—	Financial assets at fair value through other comprehensive profit or loss - Current	1	103	-	103	Note 1
	SITRONIX TECHNOLOGY CORP.	—	Financial assets at fair value through other comprehensive profit or loss - Current	3	533	-	533	Note 1
	PHOENIX SILICON INTERNATIONAL CORPORATION	—	Financial assets at fair value through other comprehensive profit or loss - Current	10	563	0.01	563	Note 1
	E INK HOLDINGS INC.	—	Financial assets at fair value through other comprehensive profit or loss - Current	10	1,610	-	1,610	Note 1
	Supreme Electronics Co., Ltd.	—	Financial assets at fair value through other comprehensive profit or loss - Current	308	11,016	0.07	11,016	Note 1
	TCI Co., Ltd.	—	Financial assets at fair value through other comprehensive profit or loss - Current	5	855	-	855	Note 1
	HIM International Music Inc.	—	Financial assets at fair value through other comprehensive profit or loss - Current	6	487	0.01	487	Note 1
	KWONG LUNG ENTERPRISE CO., LTD.	—	Financial assets at fair value through other comprehensive profit or loss - Current	80	4,192	0.06	4,192	Note 1
	O-TA Precision Industry Co., Ltd.	—	Financial assets at fair value through other comprehensive profit or loss - Current	120	14,100	0.14	14,100	Note 1
	Yuanta Taiwan high dividend securities investment	—	Financial assets at fair value through other comprehensive profit or loss - Current	966	\$ 24,536	-	\$ 24,536	Note 1
	Yuanta US bond 20 years	—	Financial assets at fair value through other comprehensive profit or loss - Current	70	2,176	-	2,176	Note 1
	FSITC Taiwan Industrial Elite 30	—	Financial assets at fair value through other comprehensive profit or loss - Current	30	654	-	654	Note 1
	Yuanta AAA to A corporate bond	—	Financial assets at fair value through other comprehensive profit or loss - Current	32	1,092	-	1,092	Note 1
	Fubon Premium Dividend 30	—	Financial assets at fair value through other comprehensive profit or loss - Current	110	1,143	-	1,143	Note 1

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Securities Holding Company	Type and Name of Securities	Securities issuer relationship between	Ledger Account	Ending Balance				Note
				Number of Share	Carrying amount	Shareholding ratio (%)	Fair value	
	American Airlines Group, Inc.	—	Financial assets at fair value through other comprehensive profit or loss - Current	5	1,836	-	1,836	Note 1
	Advanced Micro Devices, Inc.	—	Financial assets at fair value through other comprehensive profit or loss - Current	1	1,677	-	1,677	Note 1
	Costco Wholsal Corporation	—	Financial assets at fair value through other comprehensive profit or loss - Current	-	491	-	491	Note 1
	Roundhill Ball Metaverse	—	Financial assets at fair value through other comprehensive profit or loss - Current	4	904	-	904	Note 1
	iShares MSCI Japan	—	Financial assets at fair value through other comprehensive profit or loss - Current	1	836	-	836	Note 1
	Palantir Technologies Inc.	—	Financial assets at fair value through other comprehensive profit or loss - Current	2	453	-	453	Note 1
	Shionogi & Co., Ltd.	—	Financial assets at fair value through other comprehensive profit or loss - Current	1	765	-	765	Note 1
	Nintendo	—	Financial assets at fair value through other comprehensive profit or loss - Current	2	2,571	-	2,571	Note 1
	West Japan Railway	—	Financial assets at fair value through other comprehensive profit or loss - Current	1	666	-	666	Note 1
	kyushu railway	—	Financial assets at fair value through other comprehensive profit or loss - Current	1	747	-	747	Note 1
	Japan Airlines	—	Financial assets at fair value through other comprehensive profit or loss - Current	1	752	-	751	Note 1
	All Nippon Airways	—	Financial assets at fair value through other comprehensive profit or loss - Current	1	781	-	781	Note 1
	Hotung Investment Holdings Ltd	—	Financial assets at fair value through other comprehensive income - Non-current	993	38,394	-	38,394	Note 1
	LI SHI Venture Capital Co., Ltd.	—	Financial assets at fair value through other comprehensive income - Non-current	135	1,415	1.14	1,415	Note 2
	Global Securities Finance Corporation GSF	—	Financial assets at fair value through other comprehensive income - Non-current	18	196	0.10	196	Note 2
	Dongwang Nanotech Co., Ltd.	—	Financial assets at fair value through other comprehensive income - Non-current	597	-	5.97	-	Note 3
	<u>Fund</u>							
	ABITL Global High Yield	—	Financial assets mandatorily measured at fair value - Current	7	3,102	-	3,102	Note 1
	Eastspring Inv Trgt Mlt 3-6Y EM Bd.	—	Financial assets mandatorily measured at fair value - Current	20	6,272	-	6,272	Note 1
	United 3-6 Y Trigger EMD Term Fund	—	Financial assets mandatorily measured at fair value - Current	16	3,747	-	3,747	Note 1
	Fuh Hwa Global IoT and Tech Fund	—	Financial assets mandatorily measured at fair value - Current	597	9,522	-	9,522	Note 1
	Capital Global Biotech Fund	—	Financial assets mandatorily measured at fair value - Current	429	7,643	-	7,643	Note 1
	FSITC Global AI Robotics and Smart Auto	—	Financial assets mandatorily measured at fair value - Current	496	6,898	-	6,898	Note 1
	Nomura Taiwan Superior Equity Fund	—	Financial assets mandatorily measured at fair value - Current	78	5,975	-	5,975	Note 1
	<u>Corporation bond</u>							
	AT&T Global Bond	—	Financial assets mandatorily measured at fair value - Current	230	6,844	-	6,844	Note 1

Note 1: The market price is calculated based on the closing price of each stock, fund and bond at the end of December 2022 or the net value of the fund or bond.

Note 2: The fair value of domestically non-listed (counter) equity investments is based on the asset method. The fair value of net assets is used to calculate the present value of the investment that is expected to be held.

Note 3: The company has been approved for dissolution on May 22, 2013, and is currently undergoing liquidation procedures.

Tung Ho Textile Co., Ltd.
 Details of Major Shareholders
 December 31, 2022

Table 2

Unit: Share

Name of Major Shareholders	Shareholding	
	Shares Held	Percentage of Ownership
Fengtar Fuli Industry Co., Ltd.	36,829,074	16.74
Yuh Shuen Investment & Development Co., Ltd.	28,000,626	12.72
LIN, KAO-HUANG	22,234,000	10.10
Tung Que Industrial Co., Ltd.	15,888,062	7.22
Shing Ho Construction Co., Ltd.	11,029,723	5.01

Note: The information on major shareholders listed in this table is based on the information on shareholders holding more than 5% of the ordinary and preference shares that have completed non-physical registration and delivery (including treasury shares) on the last business day of the current quarter as calculated by the Taiwan Depository & Clearing Corporation. The share capital recorded in the Company's financial statements and the actual number of shares, for which electronic registration and delivery were completed, may not be consistent due to different bases of preparation and calculation.

- V. If the Company or its Affiliates Experienced Financial Difficulties in the Most Recent Year, up to the Date of the Annual Report Publication, the Annual Report Shall Explain How Said Difficulties Will Affect the Company's Financial Situation: None.**

Chapter 7. Analysis of Financial Status and Operating Results and Risks

I. Comparative Analysis of Financial Condition

Unit: NT\$1,000

Item \ Year	2021	2022	Difference	
			Amount	%
Current assets	1,257,647	1,124,735	(132,912)	(10.57%)
Property, plant and equipment	1,550,848	1,542,513	(8,335)	(0.54%)
Intangible assets	267	53	(214)	(80.15%)
Other assets	1,793,083	1,794,925	1,842	0.10%
Total Assets	4,601,845	4,462,226	(139,619)	(3.03%)
Current liabilities	685,204	672,395	(12,809)	(1.87%)
Non-current liabilities	702,949	686,435	(16,514)	(2.35%)
Total Liabilities	1,388,153	1,358,830	(29,323)	(2.11%)
Share Capital	2,200,000	2,200,000	-	0.00%
Retained earnings	1,114,535	1,095,615	(18,920)	(1.70%)
Other equity interest	(100,843)	(192,219)	(91,376)	(90.61%)
Total shareholder equity	3,213,692	3,103,396	(110,296)	(3.43%)

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

Explanations for significant changes: (where the change exceeds 20% and the amount of change exceeds NT\$10 million)

Decrease in other equity interest this year: mainly due to the lower fair value of financial assets for the year.

II. Comparative Analysis of Financial Performance

(I) Comparative Analysis of Financial Performance

Unit: NT\$1,000

Item \ Year (Note)	2021	2022	Increase (decrease)	Change (%)
			amount	
Net Sales	809,714	688,943	(120,771)	(14.92%)
Minus: Operating costs	624,897	523,144	(101,753)	(16.28%)
Net Operating Profit (Loss)	184,817	165,799	(19,018)	(10.29%)
Minus: Operating Expenses	82,524	84,940	2,416	2.93%
Net Operating Profit (Loss)	102,293	80,859	(21,434)	(20.95%)
Non-operating income and expenses	56,869	43,661	(13,208)	(23.23%)
Pre-tax net profit (loss) from continuing operations	159,162	124,520	(34,642)	(21.77%)
Income tax expense (benefit)	16,659	20,158	3,499	21.00%
Net profit (loss) from continuing operations	142,503	104,362	(38,141)	(26.77%)
Gain (loss) from discontinued operations	-	-	-	-
Net Income (Loss)	142,503	104,362	(38,141)	(26.77%)

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

Explanations for significant changes: (where the change exceeds 20% and the amount of change exceeds NT\$10 million)

1. Decrease in operating profit: mainly due to decrease in operating revenue caused by the reduction of orders for the year.
2. Decrease of non-business income: Mainly due to the fact that the subsidies granted by the government decreased by about NT\$ 8,821,000 compared with last year.
3. Decrease in net profit before tax and net profit for the year: Mainly due to the decrease in profit brought about by the decrease in orders for the year.

(II) Operating gross profit change analysis

Unit: NT\$1,000

Operating gross profit	Increment (Decrement) Change in the Earlier and Later Periods	Cause of difference
General yarn	(11,205)	This is mainly due to the decrease in gross profit caused by market price competition, and the loss on inventory valuation in the current period.
Functional yarn	(13,696)	This is mainly due to the decrease in sales volume.
Lease	5,949	
Others	(66)	
Total	(19,018)	

III. Cash Usage Analysis

(I) Cash Flow Change Analysis for the Most Current Two Year

Unit: NT\$1,000

Item \ Year	2021	2022	Increase (Decrease)	
			Amount	%
Operating activities	219,701	138,641	(81,060)	(36.90)
Investment activities	(52,880)	(114,533)	61,653	116.59
Financing activities	(6,902)	(97,308)	90,406	1,309.85
Net cash inflows (outflows)	159,919	(73,200)	(233,119)	(145.77)

Notes to increase/decrease:

1. Decrease in net cash inflow from operating activities: mainly due to decrease in profit caused by the reduction of orders for the year.
2. Increase in net cash outflows from investing activities: mainly resulted from the increase in securities investment and purchase of machinery and equipment for the year.
3. Increase in net cash outflows from financing activities: mainly due to that the cash dividend paid in the current period is more than that in the previous period.

(II) Improvement plan for liquidity shortage: None.

(III) Cash Liquidity Analysis for the Upcoming Year

Unit: NT\$1,000

Cash balance amount at the beginning of the year (1)	Net cash provided by operating activities (2)	Projected annual cash outflow (3)	Projected cash balance (1)+(2)-(3)	Measures for managing cash deficit	
				Investment Plan	Financial Plan
202,677	3,548	80,400	125,825	-	-

Analysis of cash flows for the upcoming year:

1. Operating activities: Net cash inflow for 2022 is expected to be mainly due to net income before tax for 2022.
2. Investing activities: The net cash outflow for 2022 is expected to be mainly due to the purchase of equipment.
3. Financial activities: The expected net cash outflow for year 2023 primarily comes from the distribution of cash

dividends, and does not include the amount of short-term borrowings due, which totals NT\$650 millions, as we anticipate being able to secure refinancing from financial institutions upon the maturity of these loans.

IV. Effect on Financial Operations of Any Major Capital Expenditures during the Most Recent Fiscal Year:

- (I) Usage of Major Capital Expenditures and Capital Source:** None.
- (II) Effect of major capital expenditure on financial business:** None.

V. Reinvestment Policy for the Most Recent Fiscal Year, Main Reasons for Profits/Losses Generated Thereby, Plan for Improving Re-investment Profitability, and Investment Plans for the Coming Year:

- (I) No major reinvestment policies for the most recent year.**
- (II) Investment Plans for the Upcoming Year:** None.

VI. Risk management and assessment (for the most recent year and until the date of publication of the annual report)

- (I) Effect on the Profit (Loss) of Interest and Exchange Rate Fluctuations and Changes in the Inflation Rate, and Response Measures to Be Taken in the Future**

Unit: NT\$1,000

Item	Interest Expense	Profit on Exchange
2022	6,611	6,881

The Company regularly evaluates lending rate, keeps in close contact with the bank to acquire the preferential lending rates and follows exchange rate of the foreign currency market by strict control and operation strategies.

- (II) Policy regarding High-risk Investments, Highly Leveraged Investments, Loans to Other Parties, Endorsements/Guarantees, and Derivatives Transactions, Main Reasons for the Profit (Loss) Generated Thereby, and Response Measures to Be Taken in the Future:** None.
- (III) R&D Work to Be Carried Out in the Future and Further Expenditures Expected for R&D Work:** Please refer to I. Business Activities in Chapter V. Operational Highlights in page 44.
- (IV) The impact of changes in important policies and laws at home and abroad on the Company's finance and business, and the**

countermeasures for such impact: The Company always pays attention to the changes in important policies and laws at home and abroad, and promptly proposes the countermeasures in an adequate manner. In the most recent year and up to the date of publication of the annual report, the Company's finance and business have not been affected by changes in important policies and laws at home and abroad.

(V) Effect on the Company's finance and business of Developments in Science and Technology (including Cyber Security Risks) and Industrial Change, and Measures to Be Taken in Response:

The Company is able to capture and analyze the technology of related industries anytime. In order to prevent cyber security incidents, the Company adopts a multi-layer network structure, builds protective software and hardware, enhances the software and hardware environment and formulates relevant methods according to the current cyber security situation, and carries out the promotion of new knowledge and communication of management orders to implement cyber security management. No material cyber attacks or events have been or are likely to have a material adverse effect on the Company's finances and business in the most recent year and up to the date of printing of the annual report.

(VI) The impact of corporate image change on corporate crisis management and response measures: The most current year and up to the date of publication of this annual report, the company has not had any changes in corporate image, so no significant impact was caused to the Company.

(VII) Expected Benefits and Possible Risks Associated with Any Mergers and Acquisitions, and Measures to Be Taken in Response: None.

(VIII) Expected Benefits and Possible Risks Associated with Any Plant Expansion, and Measures to Be Taken in Response: None.

(IX) Risks Associated with Any Consolidation of Sales or Purchasing Operations, and Measures to Be Taken in Response:

In terms of the procurement: The Company follows the raw material procurement policy of maintaining two or more suppliers and diversifying raw material sources while keeping long-term close partnership with suppliers to ensure the sufficient supply of raw materials.

In terms of sales: Although the Company's sales are concentrated in some

regions, the Company has established long-term cooperative relationships with its existing customers. On the other hand, the Company will also strive to develop new customers to expand and diversify the distribution channels and strive to reduce the risks concerning sales concentration.

(X) Effect on and Risk to the Company in the Event a Major Quantity of Shares Belonging to a Director or Shareholder Holding Greater than a 10% Stake in the Company Has Been Transferred or Has Otherwise Changed Hands, and Measures to Be Taken in Response:

Conditions of possessing the list of its major shareholders as well as the ultimate owners of those shares, and declaring shareholding of Directors or major shareholders with a shareholding ratio of above 10% as stipulated by the Securities and Exchange Act.

(XI) Impact and risk associated with changes in management rights, and countermeasures: None.

(XII) Disclosure of issues in dispute, monetary amount of claims, filing date, parties involved, and status of any litigation or other legal proceedings within the latest fiscal year and as of the date of the annual report where the Company and/or any of its directors, president, person in charge, shareholders with 10% or more share ownership, or affiliates are involved in a pending litigation, legal proceedings or administrative proceedings, or a final judgment or ruling which may have a material adverse effect on the Company's shareholder equity or price of securities: None.

(XIII) Other Significant Risks and Countermeasures: None.

VII. Other Important Matters: None.

Chapter 8. Special Disclosure

- I. Information on Affiliates:**
 - (I) The Consolidated Operating Report of affiliates:** None.
 - (II) The consolidated financial statement of affiliates:** None.
 - (III) Reports on Affiliations:** None.
- II. Private Placement of Securities during the Most Recent Fiscal Year and during the Current Fiscal Year up to the Date of Publication of the Annual Report:** None.
- III. Holding or Disposal of Shares of Subsidiaries during the Most Recent Fiscal Year and up to the Date of Publication of the Annual Report:** None.
- IV. Other Supplementary Information:** None.
- V. Situations Listed in Subparagraph 2, Paragraph 2, Article 36 of the Securities and Exchange Act, which Might Materially Affect Shareholders' Equity or the Price of the Securities, Occurring during the Most Recent Fiscal Year and during the Current Fiscal Year up to the Date of Publication of the Annual Report:** None.