

SHINIH ENTERPRISE CO., LTD.

**Parent Company Only Financial Statements for
the Years Ended December 31, 2022 and 2021 and
Independent Auditors' Report**



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INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Shareholders of
SHINIH ENTERPRISE CO., LTD.

Opinion

We have audited the accompanying parent company only financial statements of SHINIH ENTERPRISE CO., LTD. ("the Company"), which comprise the parent company only balance sheets as of December 31, 2022 and 2021, and the parent company only statements of comprehensive income, changes in equity, and cash flows for the years then ended, and the notes to the parent company only financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying parent company only financial statements present fairly, in all material respects, the accompanying parent company only financial position of the Company as of December 31, 2022 and 2021, and its parent company only financial performance and its parent company only cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the parent company only financial statements for the year ended December 31, 2022. These matters were addressed in the context of our audit of the parent company only financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters for the Company's parent company only financial statements for the year ended December 31, 2022 are stated as follows:

1. Recognition of gain on land expropriation and compensation agreement of the PRC subsidiary

As mentioned in note 6(6) of the parent company only financial statements, sub-subsidiary of SHINIH ENTERPRISE CO., LTD., Taixin Fiber Products (Suzhou) Co., Ltd., entered into the "land expropriation and compensation agreement" with Taichang Municipal People's Government in November 2022 for the local people government's construction plan, including that Taixin Fiber Products (Suzhou) Co., Ltd. has to the delivery of non-movable objects such as land-use right, buildings and equipment, suspend production or operations, and compensation such as cease labor contract and relocation expense within the limitation periods. Taixin Fiber Products (Suzhou) Co., Ltd. has been implemented under the contract and received total subsidies, those expropriation compensations and its related relocation expense recognized as net profit in profit or loss. Considering the land expropriation is material to the parent company only financial statements, and the management's subjective judgment will influence its recognition of relocation expenses and the revenue recognition. Therefore, we identified this expropriation transaction as a key audit matter for auditing these parent company only financial statements.

Our main audit procedures include obtaining the land expropriation and compensation agreement signed with the local government for reviewing the relevant agreement to understand Taixin Fiber Products (Suzhou) Co., Ltd. obtained the rights and obligations on receiving the expropriation compensation income; inspecting the consistency between the relevant resolution of the Board meeting minutes and those mentioned by the management; verifying the expropriation compensation income and relocation expense documents by selected samples to check the consistency between the actual received and paid and the amounts mentioned in the contracts; verifying the consistency between the derecognition items and documents and checking the correctness of its disposal interest; reviewing the accounting treatment of expropriation transaction and assessing the correctness of its accounting items.

2. Impairment assessment of property, plant and equipment

As of December 31, 2022, the Company's property, plant and equipment were \$1,409,552 thousand, representing 27% of the total assets. The management regularly reviewed whether there were any indications of impairment on property, plant and equipment under the regulations of IAS 36 impairment of assets. Assessing the impairment loss of non-financial assets needs through forecasting and discounting future cash flow to estimate recoverable amounts. The process is, in essence, significant uncertainty. Therefore, we identified it as a key matter for auditing these parent company only financial statements.

Our main audit procedures include obtaining the assessment form of impairment of assets by the Company's self-assessment; assessing the reasonableness of the impairment indications identified by the management; inspecting whether the Company's use of property, plant and equipment and the range or methods expected to be used have a material adverse change; and reviewing whether the Company's economic performance on property, plant and equipment was below expectation.

3. Impairment of accounts receivable

As of December 31, 2022, the accounts receivable of the Company was assessed the impairment loss by its policies. The increase of collection risk of accounts receivable might result from the global economic uncertainty, and the assessments on expected credit impairment loss involved the management exercised their judgments on the assumptions of client's credit risk. Therefore, we identified the impairment of accounts receivable assessment as a key matter for auditing of these parent company only financial statements.

Our main audit procedures include testing the controlled points related to the collection and reviewing the subsequent collection records; obtaining the accounts receivable aging schedule provided by the management and verifying the accuracy of its aging range by selected samples; analyzing the comparison between the aged periods and proportions to assess the reasonableness of impairment of accounts receivable; and assessing the appropriateness about the disclosure of impairment of accounts receivable by the management.

4. Valuation of allowance to reduce inventory to market



The accounting policies of loss for market price decline and obsolete and slow-moving inventories of the Company was based on the loss for obsolete and slow-moving inventories in the inventories aging information. Those information resources were the management based on the sales, obsolete and qualities of inventories to judge and assess the net realized value of inventories and measured the inventories value by the lower of cost and net realized value, and provision for reducing inventory to market. Therefore, we identified the valuation of allowance to reduce inventory to market as a key matter for auditing these parent company only financial statements.

Our main audit procedures include assessing the Company's provision of inventories based on the nature of inventories; inspecting the accuracy of inventories aging schedule by selected samples; assessing the reasonableness of the rate for loss market price decline and obsolete and slow-moving inventories and the Company management's assumptions; inspecting the correctness of the Company's previous inventories allowance and comparison with the estimated inventories allowance in the current period to assess the appropriateness of the estimated methods and assumptions for the current period; and assessing the appropriateness of the management's disclosure about the allowance to reduce inventory to market.

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

Management is responsible for the preparation and fair presentation of the parent company only financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and for such internal control as management determines is necessary to enable the preparation of parent company only financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance, including members of the Audit Committee are responsible for overseeing the Company's financial reporting process.

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

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

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

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



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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the parent company only financial statements for the year ended December 31, 2022 and are therefore the key audit matters. We describe these matters in our auditors' 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.

The engagement partners on the audit resulting in this independent auditors' report are Shao, Chao Pin and Huang Chien Chen.

A handwritten signature in black ink that reads 'Crowe TW CPAs'.

CROWE (TW) CPAs

Taichung, Taiwan (Republic of China)

March 24, 2023

Notice to Readers

The accompanying parent company only financial statements are intended only to present the 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 financial statements are those generally applied in the Republic of China.

For the convenience of readers, the independent auditors' report and the accompanying parent company only 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 parent company only financial statements shall prevail.

SHINIH ENTERPRISE CO., LTD.

PARENT COMPANY ONLY BALANCE SHEETS

DECEMBER 31, 2022 AND 2021

(In Thousands of New Taiwan Dollars)

| ASSETS | NOTES | December 31, 2022 | | December 31, 2021 | |
|---|----------|---------------------|------------|---------------------|------------|
| | | Amount | % | Amount | % |
| CURRENT ASSETS | | | | | |
| Cash and cash equivalents | 6(1) | \$ 233,237 | 4 | \$ 120,538 | 3 |
| Notes receivable, net | 6(2) | 10,639 | - | 12,597 | - |
| Accounts receivable, net | 6(3) | 34,268 | 1 | 49,436 | 1 |
| Accounts receivable, net - related parties | 7 | 2,089 | - | 9,677 | - |
| Other receivables, net | 6(4) | 2,936 | - | 1,741 | - |
| Other receivables, net - related parties | 7 | 27,099 | 1 | 33,044 | 1 |
| Current tax assets | 6(25) | 12,376 | - | 13,805 | - |
| Inventories | 6(5) | 108,293 | 2 | 81,975 | 2 |
| Prepayments | | 15,958 | - | 17,117 | - |
| Other financial assets - current | 6(1) | 144,158 | 3 | - | - |
| Total current assets | | 591,053 | 11 | 339,930 | 7 |
| NONCURRENT ASSETS | | | | | |
| Investments accounted for using equity method | 6(6) | 2,816,176 | 54 | 2,503,552 | 53 |
| Property, plant and equipment | 6(7) 、 8 | 1,409,552 | 27 | 1,343,909 | 28 |
| Right-of-use assets | 6(8) | 9,215 | - | 9,829 | - |
| Investment properties | 6(9) 、 8 | 254,904 | 5 | 257,430 | 5 |
| Intangible assets | 6(10) | 7,757 | - | 7,845 | - |
| Deferred income tax assets | 6(25) | 79,964 | 2 | 84,792 | 2 |
| Other financial assets - non-current | 6(1) | 76,954 | 1 | 189,331 | 5 |
| Other non-current assets | | 16,310 | - | 23,150 | - |
| Total non-current assets | | 4,670,832 | 89 | 4,419,838 | 93 |
| TOTAL ASSETS | | \$ 5,261,885 | 100 | \$ 4,759,768 | 100 |
| LIABILITIES AND EQUITY | | | | | |
| CURRENT LIABILITIES | | | | | |
| Short-term loans | 6(11) | \$ 450,687 | 9 | \$ 261,377 | 6 |
| Contract liabilities - current | 6(20) | 7,327 | - | 5,621 | - |
| Notes payable | | 11,844 | - | 29,928 | 1 |
| Accounts payable | | 8,297 | - | 12,213 | - |
| Accounts payable - related parties | 7 | 6,155 | - | 5,338 | - |
| Other payables | 6(12) | 85,432 | 2 | 90,704 | 2 |
| Other payables - related parties | 7 | 6,025 | - | 2,438 | - |
| Current income tax liabilities | 6(25) | 16,262 | - | 451 | - |
| Lease liabilities - current | 6(8) 、 7 | 570 | - | 563 | - |
| Long-term liabilities-current portion | 6(13) | 166,250 | 4 | 132,917 | 3 |
| Other current liabilities | | 21,296 | - | 6,630 | - |
| Total current liabilities | | 780,145 | 15 | 548,180 | 12 |
| NONCURRENT LIABILITIES | | | | | |
| Long-term loans | 6(13) | 973,750 | 19 | 907,083 | 19 |
| Deferred income tax liabilities - noncurrent | 6(25) | 81,493 | 1 | 75,949 | 2 |
| Lease liabilities - non-current | 6(8) 、 7 | 8,884 | - | 9,455 | - |
| Net defined benefit liability - noncurrent | 6(14) | 884 | - | 3,769 | - |
| Guarantee deposits received | | 4,954 | - | 4,940 | - |
| Total non-current liabilities | | 1,069,965 | 20 | 1,001,196 | 21 |
| Total liabilities | | 1,850,110 | 35 | 1,549,376 | 33 |
| EQUITIES | | | | | |
| Capital - common stocks | 6(15) | 1,091,071 | 21 | 1,091,071 | 23 |
| Capital surplus | 6(16) | 230,774 | 4 | 230,774 | 5 |
| Retained earnings | 6(17) | | | | |
| Legal capital reserve | | 372,632 | 7 | 321,311 | 7 |
| Special capital reserve | | 148,961 | 3 | 115,929 | 2 |
| Unappropriated earnings | | 1,598,582 | 30 | 1,562,593 | 33 |
| Others | 6(18) | 44,643 | 1 | (42,838) | (1) |
| Treasury stock | 6(19) | (74,888) | (1) | (68,448) | (2) |
| Total equity | | 3,411,775 | 65 | 3,210,392 | 67 |
| TOTAL LIABILITIES AND EQUITIES | | \$ 5,261,885 | 100 | \$ 4,759,768 | 100 |

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

SHINIH ENTERPRISE CO., LTD.

PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME
FOR YEARS ENDED DECEMBER 31, 2022 AND 2021
(In Thousands of New Taiwan Dollars, Except Earning Per Share)

| | NOTES | 2022 | | 2021 | |
|---|-------------------|------------|------|------------|------|
| | | Amount | % | Amount | % |
| REVENUE | 6(20) · 7 | \$ 443,926 | 100 | \$ 406,656 | 100 |
| COST OF REVENUE | 6(5) · 21) | (318,963) | (72) | (326,236) | (80) |
| GROSS PROFIT | | 124,963 | 28 | 80,420 | 20 |
| Unrealized gross profit/(loss) on sales | | (382) | - | (611) | - |
| Realized gross profit/(loss) on sales | | 611 | - | - | - |
| GROSS PROFIT | | 125,192 | 28 | 79,809 | 20 |
| OPERATING EXPENSES | 6(21) · 7 | | | | |
| Marketing | | (51,421) | (12) | (51,099) | (13) |
| General and administrative | | (102,663) | (23) | (101,970) | (25) |
| Research and development | | (75,421) | (17) | (54,538) | (13) |
| Expected credit loss | 6(3) · 4) | (538) | - | - | - |
| Total operating expenses | | (230,043) | (52) | (207,607) | (51) |
| OPERATING LOSS | | (104,851) | (24) | (127,798) | (31) |
| NON-OPERATING INCOME AND EXPENSES | | | | | |
| Interest income | | 4,915 | 1 | 391 | - |
| Other income | 6(22) | 40,260 | 9 | 26,318 | 6 |
| Other gains and losses | 6(23) | (10,158) | (2) | (21,129) | (5) |
| Finance costs | 6(24) | (14,439) | (3) | (7,218) | (2) |
| Share of profit or loss of subsidiaries accounted for using equity method | | 315,394 | 71 | 650,954 | 160 |
| Total non-operating income and expenses | | 335,972 | 76 | 649,316 | 159 |
| INCOME BEFORE INCOME TAX | | 231,121 | 52 | 521,518 | 128 |
| INCOME TAX EXPENSE | 6(25) | (6,721) | (2) | (8,294) | (2) |
| NET INCOME | | 224,400 | 50 | 513,224 | 126 |
| OTHER COMPREHENSIVE INCOME (LOSS) | | | | | |
| Items that will not be reclassified to profit or loss: | | | | | |
| Remeasurement of defined benefit plans | 6(14) · 26) | 1,725 | - | (1,489) | - |
| Remeasurements of defined benefit plans of the subsidiary accounted for using equity method | 6(26) | 186 | - | 1,180 | - |
| Income tax benefit (expense) related to items that will not be reclassified | 6(25) · 26) | (345) | - | 298 | - |
| Items that may be reclassified subsequently to profit or loss: | | | | | |
| Exchange differences arising on translation of foreign operations | 6(18) · 26) | 109,351 | 25 | (41,290) | (10) |
| Income tax benefit related to items that may be reclassified | 6(18) · 25) · 26) | (21,870) | (5) | 8,258 | 2 |
| Other comprehensive income (loss) for the current period | | 89,047 | 20 | (33,043) | (8) |
| TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE CURRENT PERIOD | | \$ 313,447 | 70 | \$ 480,181 | 118 |
| EARNINGS PER SHARE (IN DOLLARS) | 6(27) | | | | |
| Basic earnings per share | | \$ 2.12 | | \$ 4.71 | |
| Diluted earnings per share | | \$ 2.11 | | \$ 4.68 | |

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

SHINIH ENTERPRISE CO., LTD.

PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY
FOR YEARS ENDED DECEMBER 31, 2022 AND 2021
(In Thousands of New Taiwan Dollars)

| | Capital Surplus | | | Retained Earnings | | | Others | | Total Equity |
|--|-------------------------------|---|-----------|--------------------------|----------------------------|----------------------------|---|----------------|--------------|
| | Capital - Common Stocks | Additional Paid-in Capital Arising From Bond Conversion | Others | Legal Capital Reserve | Special Capital Reserve | Unappropriated Earnings | Foreign Currency Translation Reserve | Treasury Stock | |
| BALANCE, JANUARY 1, 2021 | \$ 1,091,071 | 213,926 | 16,848 | 313,708 | 106,123 | 1,110,432 | (9,806) | - | 2,842,302 |
| Appropriations of prior year's earnings | | | | | | | | | |
| Legal capital reserve | - | - | - | 7,603 | - | (7,603) | - | - | - |
| Special capital reserve | - | - | - | - | 9,806 | (9,806) | - | - | - |
| Cash dividends to shareholders - NT\$0.4 per share | - | - | - | - | - | (43,643) | - | - | (43,643) |
| Net income in 2021 | - | - | - | - | - | 513,224 | - | - | 513,224 |
| Other comprehensive income (loss) in 2021 | - | - | - | - | - | (11) | (33,032) | - | (33,043) |
| Purchase of treasury stock | - | - | - | - | - | - | - | (68,448) | (68,448) |
| BALANCE, DECEMBER 31, 2021 | 1,091,071 | 213,926 | 16,848 | 321,311 | 115,929 | 1,562,593 | (42,838) | (68,448) | 3,210,392 |
| Appropriations of prior year's earnings | | | | | | | | | |
| Legal capital reserve | - | - | - | 51,321 | - | (51,321) | - | - | - |
| Special capital reserve | - | - | - | - | 33,032 | (33,032) | - | - | - |
| Cash dividends to shareholders - NT\$1 per share | - | - | - | - | - | (105,603) | - | - | (105,603) |
| Net income in 2022 | - | - | - | - | - | 224,400 | - | - | 224,400 |
| Other comprehensive income (loss) in 2022 | - | - | - | - | - | 1,566 | 87,481 | - | 89,047 |
| Purchase of treasury stock | - | - | - | - | - | - | - | (13,580) | (13,580) |
| Treasury stock sold to employees | - | - | - | - | - | (21) | - | 7,140 | 7,119 |
| BALANCE, DECEMBER 31, 2022 | \$ 1,091,071 | \$ 213,926 | \$ 16,848 | \$ 372,632 | \$ 148,961 | \$ 1,598,582 | \$ 44,643 | \$ (74,888) | \$ 3,411,775 |

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

SHINIH ENTERPRISE CO., LTD.

PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS FOR YEARS ENDED DECEMBER 31, 2022 AND 2021

(In Thousands of New Taiwan Dollars)

| | 2022 | 2021 |
|---|------------|------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Net income before income tax | \$ 231,121 | \$ 521,518 |
| Adjustments to reconcile profit (loss) | | |
| Depreciation | 76,150 | 56,568 |
| Amortization | 1,132 | 1,318 |
| Interest expense | 14,439 | 7,218 |
| Interest income | (4,915) | (391) |
| Net investment income or loss accounted for using equity method | (315,394) | (650,954) |
| Unrealized loss from sales | (850) | (680) |
| Net gain or loss on disposals of property, plant and equipment | (274) | 260 |
| Impairment loss on non-financial assets | 49,966 | 13,843 |
| Net changes in operating assets and liabilities | | |
| Notes receivable | 1,958 | (2,243) |
| Accounts receivable | 22,756 | 654 |
| Inventories | (26,318) | 6,907 |
| Other receivables | 6,014 | 27,233 |
| Prepayments | 1,159 | (8,736) |
| Contract liabilities | 1,706 | 3,710 |
| Notes payable | (18,084) | 15,207 |
| Accounts payable | (3,099) | (12,163) |
| Other payables | (8,921) | 14,892 |
| Other current liabilities | 14,666 | 558 |
| Net defined benefit liability | (1,160) | (597) |
| Cash provided from operations | 42,052 | (5,878) |
| Interest received | 3,651 | 447 |
| Dividends received | 113,158 | 290,882 |
| Interest paid | (13,908) | (7,031) |
| Income taxes paid | (1,324) | (23,234) |
| Net cash provided by operating activities | 143,629 | 255,186 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Acquisition of property, plant and equipment | (181,918) | (91,269) |
| Acquisition of investment property | - | (1,125) |
| Acquisition of intangible assets | (1,044) | - |
| Proceeds from disposal of Property, plant and equipment | 279 | - |
| Increase in refundable deposits | (39) | - |
| Prepayments - decrease in noncurrent | 6,877 | - |
| Increase in other financial assets | (31,781) | (103,891) |
| Decrease in other noncurrent assets | - | 4,388 |
| Net cash used in investing activities | (207,626) | (191,897) |

(Continued)

SHINIH ENTERPRISE CO., LTD.

PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS FOR YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars)

| | 2022 | 2021 |
|--|-------------------|-------------------|
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Increase (decrease) in short-term loans | \$ 189,309 | \$ (129,931) |
| Proceeds from long-term loans | 100,000 | 290,000 |
| Repayment of long-term loans | - | (50,000) |
| Repayments of the principal portion of lease liabilities | (563) | (554) |
| Guarantee deposit received | 14 | - |
| Payments to acquire treasury stock | (13,580) | (68,448) |
| Treasury stock sold to employees | 7,119 | - |
| Cash dividends paid | (105,603) | (43,643) |
| Net cash provided by (used in) financing activities | <u>176,696</u> | <u>(2,576)</u> |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | 112,699 | 60,713 |
| CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR | 120,538 | 59,825 |
| CASH AND CASH EQUIVALENTS, END OF YEAR | <u>\$ 233,237</u> | <u>\$ 120,538</u> |

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

(Concluded)

SHINIH ENTERPRISE CO., LTD.

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

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

1. GENERAL INFORMATION

SHINIH ENTERPRISE CO., LTD. (the "Company") was incorporated in the Republic of China pursuant to the Company Act in 1962 and commenced its business operations in the same year. The Company engages in the manufacture and processing of nonwoven fabric material and bedding, the trading of related products and textile machinery, and the development, sale, and lease of mixed-use buildings.

The Company's shares have been traded on the Taiwan Stock Exchange ("TWSE") since August 26, 2002.

2. THE AUTHORIZATION OF FINANCIAL STATEMENTS

The parent company only financial statements were approved and authorized for issue by the Board of Directors on March 24, 2023.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS, AND INTERPRETATIONS

3.1 Initial application of the amendments to the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) (collectively, "IFRSs") endorsed and issued into effect by the Financial Supervisory Commission (FSC):

New standards, interpretations and amendments endorsed by the FSC and effective from 2022 are as follows:

| New, Revised or Amended Standards and Interpretations | Effective Date Announced by IASB (Note A) |
|--|--|
| Amendments to IAS 16 "Property, Plant and Equipment: Proceeds before Intended Use" | January 1, 2022 (Note B) |
| Amendments to IAS 37 "Onerous Contracts – Cost of Fulfilling a Contract" | January 1, 2022 (Note C) |
| Amendments to IFRS 3 "Reference to the Conceptual Framework" | January 1, 2022 (Note D) |
| Annual Improvements to IFRS Standards 2018–2020 | January 1, 2022 (Note E) |

Note A: Unless stated otherwise, the New IFRSs above are effective for annual periods beginning on or after their respective effective dates.

Note B: An entity shall apply these amendments retrospectively, but only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operation in the manner intended by management on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments.

Note C: An entity shall apply these amendments to contracts for which it has not yet fulfilled all its obligations on January 1, 2022.

| New, Revised or Amended Standards and Interpretations | Effective Date Announced by IASB (Note A) |
|---|--|
| Note D: These amendments apply to business combinations whose acquisition date occur during the annual reporting periods beginning on or after January 1, 2022. | |
| Note E: An entity shall apply the Amendment to IFRS 9 to financial liabilities that are modified or exchanged during the annual reporting periods beginning on or after January 1, 2022. An entity shall apply the Amendment to IAS 41 to fair value measurements for annual reporting periods beginning on or after January 1, 2022. An entity shall apply the Amendment to IFRS 1 for annual reporting periods beginning on or after January 1, 2022. | |
| (1) Amendments to IAS 16 “Property, Plant and Equipment: Proceeds before Intended Use” The amendments set out that proceeds from selling items produced while bringing an item of property, plant and equipment to the location and condition necessary for them to be capable of operating in the manner intended by management shall not be recognized as a deduction of the asset. Instead, the proceeds from selling such items and the costs of those items, measured in accordance with IAS 2, shall be recognized in profit or loss in accordance with applicable IFRS Standards. Additionally, the amendments clarify that costs of testing whether the asset is functioning properly. The costs of assessing whether the technical and physical performance of the asset is such that it is capable of being used in the production or supply of goods or services, for rental to others, or for administrative purposes. | |
| (2) Amendments to IAS 37 “Onerous Contracts — Cost of Fulfilling a Contract” The amendments set out that, when determining whether a contract is onerous, the cost of fulfilling a contract comprises (a) the incremental costs of fulfilling that contract – for example, direct labor and materials; and (b) an allocation of other costs that relate directly to fulfilling contracts – for example, an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling that contract among others. | |
| (3) Amendments to IFRS 3 “Reference to the Conceptual Framework” The amendments update a reference to the Framework in IFRS 3 and require the acquirer shall apply IFRIC 21 for a levy that would be within the scope of IFRIC 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date. | |
| (4) Annual Improvement to IFRS Standards 2018-2020 The annual improvement amends several Standards. Among which, the Amendment to IFRS 9 clarifies that, in determining whether an exchange or modification of the terms of a financial liability is substantially different from those of the original liability, only fees paid net of fees received between the Company (the borrower) and the lender for the new or modified contract, including fees paid or received by either the Company or the lender on the other’s behalf, shall be included in the ‘10 per cent’ test of the discounted present value of the cash flows under the new terms. | |

Based on the Company’s assessment, the IFRSs modifications aforementioned have no significant effect on the Company’s financial position and financial performance.

3.2 The IFRSs issued by International Accounting Standards Board (IASB) and endorsed by FSC with effective date starting 2023:

New standards, interpretations and amendments endorsed by the FSC and effective from 2023 are as follows:

| New, Revised or Amended Standards and Interpretations | Effective Date Announced by IASB |
|---|---|
| Amendments to IAS 1 “Disclosures of Accounting Policies” | January 1, 2023 (Note A) |
| Amendments to IAS 8 “Definition of Accounting Estimates” | January 1, 2023 (Note B) |
| Amendments to IAS 12 “Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction” | January 1, 2023 (Note C) |

Note A: An entity shall apply these amendments for annual reporting periods beginning on or after January 1, 2023.

Note B: These amendments apply to changes in accounting estimates and changes in accounting policies that occur during annual reporting periods beginning on or after January 1, 2023.

Note C: Except for the temporary differences associated with leases and decommissioning obligations that should be in compliance with additional regulations, the amendments will be applied prospectively to transactions occur on or after the beginning of the earliest period presented, January 1, 2022.

(1) Amendments to IAS 1 “Disclosures of Accounting Policies”

The amendments clarify that an entity shall disclose its material significant accounting policy information if the transaction, other event or condition to which the accounting policy information relates is material in size or nature, or a combination of both, and the accounting policy information that relates to a material transaction, other event or condition is also material to the financial statements. On the other hand, if the transaction, other event or condition to which the accounting policy information relates is immaterial in size or nature, an entity needs not to disclosure the accounting policy information that relates to the immaterial transaction, other event or condition. Additionally, Immaterial accounting policy information that relates to material transactions, other events or conditions need not be disclosed, either. However, an entity’s conclusion that accounting policy information is immaterial does not affect the related disclosure requirements set out in other IFRS Standards.

(2) Amendments to IAS 8 “Definition of Accounting Estimates”

The amendments define accounting estimates as monetary amounts in financial statements that are subject to measurement uncertainty and clarify that a change in measurement techniques or inputs used to develop an accounting estimate is a change in accounting estimates unless the change is due to an error from prior periods.

(3) Amendments to IAS 12 “Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction”

The amendments narrow the exemption extent in paragraphs 15 and 24 of IAS 12 for an entity from recognizing a deferred tax asset or liability in particular circumstances. In particular, the exemption does not apply to a transaction that gives rise to equal taxable and deductible difference at the time of the transaction. At the initial application of the amendments, an entity shall, at the beginning of the earliest comparative period presented, recognize deferred taxes for all deductible and taxable temporary differences associated with (i) lease and (ii) decommissioning liabilities and recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at that date. An entity shall also apply the amendments transactions that occur on or after the beginning of the earliest comparative period presented.

Based on the Company's assessment, the application of the New IFRSs above will not have any significant impact on the Company's financial position and financial performance.

3.3 The IFRSs issued by IASB but not yet endorsed and issued into effect by FSC:

New standards, interpretations and amendments issued by the IASB but not yet endorsed by the FSC are as follows:

| <u>New, Revised or Amended Standards and Interpretations</u> | <u>Effective Date Announced by IASB</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 by IASB |
| IFRS 17 "Insurance Contracts" | January 1, 2023 |
| Amendments to IRFS 17 | January 1, 2023 |
| Amendments to IRFS 17 "Initial Application of IFRS 17 and IFRS 9-Comparative Information | January 1, 2023 |
| Amendments to IFRS 16 "Lease Liability in a Sale and Leaseback" | January 1, 2024 |
| Amendments to IAS 1 "Classification of Liabilities as Current or Non-current" | January 1, 2024 |
| Amendments to IAS 1 "Non-current Liabilities with Covenants" | January 1, 2024 |

As of the date the parent company only financial statements are authorized for issue, the Company is still evaluating the impact on its financial position and financial performance as a result of the initial adoption of the aforementioned standards or interpretations. The related impact will be disclosed when the Company completes the evaluation.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following significant accounting policies are used in the preparation of the parent company only financial statements. These policies have been consistently applied to all the periods

presented, unless otherwise stated.

4.1 Statement of Compliance

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

4.2 Basis of Preparation

- A. Except for the financial assets and liabilities at fair value through profit or loss (including derivative financial instruments), the parent company only financial statements have been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for the assets.
- B. When preparing the parent company only financial statements, the Company accounts for subsidiaries by using the equity method. In order to align with the amount of net income, other comprehensive income and equity attributable to shareholders of the parent in the consolidated financial statements, the differences of the accounting treatment between the parent company only basis and the consolidated basis are adjusted under the heading of investments accounted for using equity method, share of profits of subsidiaries and share of other comprehensive income of subsidiaries in the parent company only financial statements.
- C. The preparation of financial statements in conformity with IFRSs endorsed by the FSC requires the use of certain critical accounting estimates. It also requires the management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 5.

4.3 Foreign Currencies

- A. Items included in the parent company only financial statements are measured using the functional currency of the Company. The financial statements are presented in New Taiwan Dollars, which is the Company's functional currency.
- B. In preparing the parent company only financial statements, transactions in currencies other than the Company's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing on that date. Such exchange differences are recognized in profit or loss in the year in which they arise. Non-monetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Exchange differences arising in the retranslation of non-monetary items are included in profit or loss for the year except for exchange differences arising in the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income, in

which case, the exchange difference are also recognized directly in other comprehensive income. Non-monetary items that are measured in terms of historical cost in foreign currencies are translated using the exchange rate at the date of the transaction and are not retranslated.

- C. When preparing the parent company only financial statements, the assets and liabilities of the Company's foreign operations are translated into NT\$ using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognized in other comprehensive income and accumulated in equity.
- D. On disposal of a foreign operation that result in a loss of control, joint control, or significant influence, all related to that foreign operation could attributed to equity of the Company's owners that will be reclassified as profit or loss.
- E. On partial disposal of a subsidiary that includes a foreign operation that does not result in a loss of control, the proportionate share of the cumulative amount of the exchange differences recognized in other equity is re-attributed to the non-controlling interests in that subsidiary. On any other partial disposal of a foreign operation, being the Company's ownership interest is reduced from an associate or a jointly controlled entity, that does not result in a loss of significant influence or joint control, only the proportionate share of the cumulative amount of the exchange differences recognized in other equity is reclassified to profit or loss.

4.4 Classification of Current and Noncurrent Assets and Liabilities

- A. Assets that meet one of the following criteria are classified as current assets:
 - (a) Assets that are expected to be realized, or are intended to be sold or consumed within the normal operating cycle;
 - (b) Assets held mainly for trading purposes;
 - (c) Assets that are expected to be realized within twelve months from the end of reporting period;
 - (d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to liabilities more than twelve months after the balance sheet date.

The Company classifies all assets that do not meet the above criteria as noncurrent.

- B. Liabilities that meet one of the following criteria are classified as current liabilities:
 - (a) Liabilities that are expected to be paid off within the normal operating cycle;
 - (b) Liabilities arising mainly from trading activities;
 - (c) Liabilities that are to be within twelve months from the end of reporting period, even if an agreement to refinance, or to reschedule payments on a long-term basis is completed after the reporting period and before the consolidated financial statements are authorized for issue; and
 - (d) Liabilities for which the repayment date cannot be extended unconditionally to

more than twelve months after the end of reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

The Company classifies all liabilities that do not meet the above conditions as noncurrent.

4.5 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value (including the original maturity of the time deposits within three months).

4.6 Financial Instruments

Financial assets and liabilities shall be recognized when the Company becomes a party of the contractual provisions of the instruments.

Financial assets and liabilities are initially recognized at fair values. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. 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.

A. Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized using trade date accounting.

(a) Measurement categories

The category of the financial assets of the Company is financial assets at amortized cost.

i. Financial assets at amortized cost

Financial assets that meet both of the following conditions are measured at amortized cost:

- (i) The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- (ii) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, financial assets at amortized cost are measured at amortized cost, which equals the gross carrying amount determined using the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of such a financial asset, except for:

- (i) Purchased or originated credit-impaired financial assets, for which interest income is calculated by applying the credit-adjusted effective interest rate to the amortized cost of such financial assets; and
- (ii) Financial assets that are not credit-impaired on purchase or origination but have subsequently become credit-impaired, for which interest income is calculated by applying the effective interest rate to the amortized cost of such financial assets in subsequent reporting periods.

(b) Impairment of financial assets

The Company recognizes loss allowances for expected credit losses on financial assets at amortized cost (including trade receivables), investments in debt instruments at FVTOCI, and contract assets.

The Company recognizes loss allowances at an amount equal to lifetime expected credit losses (i.e. ECLs) for accounts receivable, contract assets, and lease receivables. For all other financial instruments, the Company recognizes lifetime ECLs for which there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on a financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to 12-month ECLs.

Expected credit losses reflect the weighted average of credit losses with the respective risks of a default occurring as the weights. Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECLs represents the portion of lifetime ECLs that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

The Company recognizes an impairment loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for debt instruments that are measured at FVTOCI, for which the loss allowance is recognized in other comprehensive income and does not reduce the carrying amount of the financial asset.

(c) Derecognition of financial assets

The Company derecognizes a financial asset when one of the following conditions is met:

- i. The contractual rights to receive cash flows from the financial asset expired.
- ii. The contractual rights to receive cash flows from the financial asset which have been transferred and the Company has transferred substantially all risks and rewards of ownership of the financial asset.

iii. The Company neither retains nor transfers substantially all risks and rewards of ownership of the financial asset; however, it has not retained control of the financial asset.

On derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. On derecognition of an debt investment measured at FVTOCI, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss which had been recognized in other comprehensive income is recognized in profit or loss. However, on derecognition of an equity investment at FVTOCI, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss, and the cumulative gain or loss which had been recognized in other comprehensive income is transferred directly to retained earnings, without being recycled to profit or loss.

B. Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognized at the proceeds received, net of direct issue costs.

C. Financial liabilities

(a) Subsequent measurement

Financial liabilities other than those held for trading purposes and designated as at FVTPL are subsequently measured at amortized cost at the end of each reporting period.

(b) Derecognition of financial liabilities

The Company derecognizes a financial liability when, and only when, it is extinguished—i.e. when the obligation is discharged or cancelled or expires. The difference between the carrying amount of a financial liability derecognized and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

(c) Modification of Financial Instruments

When the contractual cash flows of a financial instrument are renegotiated or modified and the renegotiation or modification does not result in the derecognition of that financial instrument, the Company recalculates the gross carrying amount of the financial asset or the amortized cost of the financial liabilities using the original effective interest rate and recognises a modification gain or loss in profit or loss. Any costs or fees incurred adjust the carrying amount of the modified financial instrument and are amortized over the remaining term of the modified financial instrument. If the renegotiation or modification results in that the derecognition of that financial instrument is required, then the financial instrument is derecognized accordingly.

If the basis for determining the contractual cash flows of a financial asset or financial liability changes resulting from interest rate benchmark reform and the change is necessary as a direct consequence of interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis, the Company applies the practical expedient to account for that change as a change in effective interest rate. If changes are made to a financial asset or financial liability in addition to changes to the basis for determining the contractual cash flows required by interest rate benchmark reform, the Company first applies the practical expedient aforementioned to the changes required by interest rate benchmark reform, and then applies the applicable requirements to any additional changes to which that practical expedient does not apply.

4.7 Inventories

Inventories, under a perpetual system, are measured at the lower of cost and net realizable value. Cost is determined using the weighted average method. The cost of finished goods and work in progress comprises raw materials, direct labor, other direct costs and related production overheads (allocated based on normal operating capacity), excluding borrowing costs. The item-by-item approach is used in applying the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and applicable variable selling expenses.

4.8 Investments Accounted for Using the Equity Method

- A. A subsidiary is an entity that is controlled by the Company (including structured entity). The Company controls an entity when the Company is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.
- B. Unrealized gains and losses on transactions between the Company and subsidiaries have been eliminated proportionately to the subsidiaries' interests. The accounting policies of the subsidiaries have been adjusted where necessary to ensure consistency with the policies applied by the Company.
- C. The Company's share of subsidiaries' profit or loss is recognized in the Company's statement of comprehensive income, and its share of subsidiaries' other comprehensive income is recognized in the Company's other comprehensive income. When the Company's share of losses in a subsidiary equals to or exceeds its interest in the subsidiary, the Company shall recognize the loss proportional to its shares.
- D. Changes in the Company's ownership interests in subsidiaries that do not result in the Company losing control over the subsidiaries are accounted for as equity transactions. Any difference between the adjustment amount of non-controlling interests and the fair value of the consideration paid or received is recognized directly in equity.
- E. When the Company loses control of a subsidiary, the Company remeasures any

investment retained in the former subsidiary at its fair value. That fair value is regarded as the fair value on initial recognition as a financial asset or the cost on initial recognition of an associate or a joint venture. Any difference between the fair value and the carrying amount is recognized in profit or loss. All amounts previously recognized in other comprehensive income in relation to the subsidiary are reclassified to profit or loss on the same basis as would be required if the related assets or liabilities were disposed of. That is, when the Company loses control of a subsidiary, all gains or losses previously recognized in other comprehensive income in relation to the subsidiary will be reclassified from equity to profit or loss, if such gains or losses would be reclassified to profit or loss when the related assets or liabilities are disposed of.

4.9 Property, Plant and Equipment

- A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalized, for property, plant and equipment under construction, sample produced from testing whether the asset is functioning properly before its intended use are measured at lower of the costs or net realizable value. Proceeds from selling such an item and the cost of the item are recognized in profit or loss.
- B. Subsequent costs are included in the carrying amount of asset or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.
- C. Land is not depreciated. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. The residual values of assets, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year-end. If expectations for the residual values of assets and useful lives differ from previous estimates or the patterns of consumption of the future economic benefits of assets embodied in the assets which have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change.

The estimated useful lives of property, plant and equipment are as follows:

| | |
|-------------------|-------------|
| Land improvements | 5 years |
| Buildings | 3~35 years |
| Machinery | 3~15 years |
| Other equipment | 2 ~ 5 years |

- D. An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the assets. Any

gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

4.10 Leases

At the inception of a contract, the Company assesses whether the contract is, or contains, a lease. For a contract that contains a lease component and non-lease components, the Company allocates the consideration in the contract to each component on the basis of the relative stand-alone price and accounts for each component separately.

A. The Company as lessee

Except for payments for low-value asset leases and short-term leases which are recognized as expenses on a straight-line basis, the Company recognizes right-of-use assets and lease liabilities for all leases at the commencement date of the lease.

Right-of-use assets

Right-of-use assets are initially measured at cost, which comprises the initial measurement of lease liabilities adjusted for lease payments made at or before the commencement date, less any lease incentives received, and plus any initial direct costs incurred and an estimate of costs needed to restore the underlying assets. Subsequent measurement is calculated as cost less accumulated depreciation and accumulated impairment loss and adjusted for any remeasurement of the lease liabilities.

Right-of-use assets are presented as a separate line item in the balance sheets.

Right-of-use assets are depreciated using the straight-line method from the commencement dates to the earlier of the end of the useful lives of the right-of-use assets or the end of the lease terms. If the lease transfers ownership of the underlying assets to the Company by the end of the lease terms or if the cost of right-of-use assets reflects that the Company will exercise a purchase option, the Company depreciates the right-of-use assets from the commencement dates to the end of the useful lives of the underlying assets.

Lease liabilities

Lease liabilities are initially measured at the present value of the lease payments. The lease payments are discounted using the interest rate implicit in a lease if that rate can be readily determined. If that rate cannot be readily determined, the Company uses the lessee's incremental borrowing rate.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. If there is a change in the assessment of an option to purchase the underlying asset, amounts expected to be payable by the lessee under residual value guarantees or a change in future lease payments resulting from a change in an index or a rate used to determine those payments, the Company shall remeasure the lease liabilities with a corresponding

adjustment to the right-of-use assets. However, if the carrying amount of the right-of-use asset is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. For a lease modification that is not accounted for as a separate lease, the Company accounts for the remeasurement of the lease liability by decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease. The lessee shall recognize in profit or loss any gain or loss relating to the partial or full termination of the lease and (b) making a corresponding adjustment to the right-of-use asset for all other lease modifications. Lease liabilities are presented separately in the balance sheets. Variable lease payments that do not depend on an index or a rate are recognized as expenses in the periods in which they are incurred.

B. The Company as lessor

Leases are classified as finance leases whenever the terms of a lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

When a lease includes both land and buildings elements, the Company assesses the classification of each element as a finance lease or an operating lease separately allocating lease payments (including any lump-sum upfront payments) between the land and the buildings elements in proportion to the relative fair values of the leasehold interests in the land element and buildings element of the lease at the inception date. If the lease payments cannot be allocated reliably between these two elements, the entire lease is classified as an operating lease.

Under operating leases, lease payments, less any lease incentives payable, are recognized as lease income on a straight-line basis over the lease terms. The initial direct costs incurred from received the operating lease plus to the carrying amount of the underlying asset adopted the same basic of lease income. The Group recognizes the lease payments as expense over the lease terms. The Group accounts for a modification to an operating lease as a new lease from the effective date of the modification.

4.11 Investment Property

Investment properties are properties held to earn rentals and/or for capital appreciation and include land held for a currently undetermined future use(including property under construction for such purposes) and include land held for a currently undetermined future use.

Investment properties are measured at cost (including transaction costs) on initial recognition. Subsequent to initial recognition, investment properties are measured at cost less accumulated depreciation and accumulated impairment loss. The investment properties are depreciated using the straight-line basis over 5 to 60 years.

Investment property that is being constructed or developed is measured at cost less accumulated impairment loss. The cost of an investment property includes professional fees, borrowing costs eligible for capitalization. The properties shall start to depreciate as they achieve their expected condition for providing services.

Gains or losses arising from the retirement or disposal of investment property shall be determined as the difference between the net disposal proceeds and the carrying amount of the asset and shall be recognized in profit or loss.

4.12 Intangible Assets

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortization and accumulated impairment loss. Amortization is recognized on a straight-line basis over the following estimated lives: trademarks and patents - the patent term or the contract term; computer software 1 to 3 years. The estimated useful life and amortization method are reviewed at each financial year-end, with the effect of any changes in estimate being accounted for on a prospective basis.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually.

An item of intangible assets is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the assets. Any gain or loss arising on the disposal or retirement of an item of intangible assets is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

4.13 Impairment of non-financial assets

The Company assesses at the end of reporting period the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognized for the amount by which the carrying amount of asset exceeds its recoverable amount. The recoverable amount is the higher of a fair value of asset less costs to sell or value in use. When the indication of impairment loss recognized in prior years for an asset no longer exist, the impairment loss is reversed to the extent of the loss previously recognized in profit or loss. When an impairment loss subsequently reverses, the carrying amount of the asset or a cash-generating unit is increased to the revised of its recoverable amount, but the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset or cash-generating unit in prior years.

4.14 Provisions

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be reliably estimated. Provisions are measured at the present value of the expenditures

expected to be required to settle the obligation on the balance sheet date. If the provisions are measured at the estimated cash flow to settle the obligation, its carrying amounts are those present value of the cash flow.

4.15 Employee Benefits

A. Short-term employee benefits

Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in respect of service rendered by employees in a period and should be recognized as expenses in that period when the employees render service.

B. Pensions

(a) Defined contribution plans

For defined contribution plans, the contributions are recognized as pension expenses when they are due on an accrual basis. Prepaid contributions are recognized as an asset to the extent of a cash refund or a reduction in the future payments.

(b) Defined benefit plans

- i. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employee will receive on retirement for their services with the Company in current or prior period. The liability recognized in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The defined benefit net obligation is estimated annually by independent actuaries using the projected unit credit method. The discount rate used is determined by using the market yields (at the end of the reporting period) on government bonds denominated in the currency in which the benefits are to be paid. The currency and term of the government bonds are consistent with the currency and estimated term of the obligation.
- ii. Remeasurement arising on defined benefit plans is recognized in other comprehensive income in the period in which they arise and are recorded as retained earnings.
- iii. Past service costs are recognized immediately in profit or loss.

C. Employees' compensation and directors' remuneration

Employees' compensation and directors' remuneration are recognized as expenses and liabilities, provided that such recognition is required under legal or constructive obligation and the amount can be reliably estimated. Any difference between the amount accrued and the amount actually distributed is accounted for a change in accounting estimate.

4.16 Capital Stock and Treasury Stock

A. Capital stock

Common stock is classified as equity. Incremental costs directly attributable to the issue

of new shares or stock options are recognized in equity as a deduction from the proceeds.

B. Treasury stock

The Company's treasury stocks that have not been disposed or retired are stated at cost and shown as a deduction in stockholders' equity. When treasury stocks are sold, if the selling price is above the book value, the difference is credited to the capital surplus-treasury share transactions; if the selling price is below the book value, the difference is first offset against capital surplus from the same class of treasury share transactions, and the remainder, if any, is then debited to retained earnings. The carrying value of treasury stocks is calculated using the weighted-average approach in accordance with the purpose of repurchase.

Upon retirement, treasury stocks are derecognized against the capital surplus - premium on stocks and capital stock proportionately according to the ratio of shares retired. The carrying value of treasury stock in excess of the sum of the par value and premium on stocks is first offset against capital surplus from the same class of treasury share transactions, and the remainder, if any, is then debited to retained earnings. The sum of the par value and premium on treasury stocks in excess of the carrying value is credited to capital surplus from the same class of treasury share transactions.

4.17 Income Tax

- A. The tax expense for the year comprises current and deferred tax. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or items recognized directly in equity, in which cases the tax is recognized in other comprehensive income or equity, respectively.
- B. The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional tax calculated in accordance with Income Tax Act of the Republic of China is levied on the unappropriated retained earnings and is recorded as income tax expense in the subsequent year when the stockholders approve to distribute retain earnings.
- C. Deferred income tax is recognized, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated balance sheet. However, the deferred tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the

reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the financial reporting period and are expected to apply when the related deferred tax asset is realized or the deferred tax liability is settled.

- D. Deferred income tax assets are recognized only to the extent, unused tax losses and unused tax credits that it is probable that future taxable profit will be available against which the temporary differences can be utilized. At the end of each reporting period, unrecognized and recognized deferred income tax assets are reassessed.
- E. Current income tax assets and liabilities are offset, and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. Deferred income tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realize the asset and settle the liability simultaneously.

4.18 Revenue Recognition

The Company recognizes revenue based on the principle of revenue from customer contracts by applying the following steps:

- (a) Identifying the contract;
- (b) Identifying performance obligations;
- (c) Determine the transaction price;
- (d) Allocate the transaction price to performance obligation; and
- (e) Recognize revenue when a performance obligation is satisfied.

For contracts where the period between the date on which the Company transfers a promised good or service to a customer and the date on which the customer pays for that good or service is within one year, the Company does not adjust the promised amount of consideration for the effect of a significant financing component.

A. Revenue from sale of goods

The Company sells nonwoven fabric material, bedding, and related products. Sales are recognized when control of the products has been transferred to the customers since the customers obtain the rights to list price, use the products and assure the obligation to resale them as well as to bear the risk of obsolescence. The Company recognizes revenue and accounts receivable on transferring the control of the products. Revenue is presented net of sales return, quantity discounts and sales allowance.

The Company does not recognize sales revenue on materials delivered to processing subcontractors due to the delivery does not transfer control of materials.

B. Service Revenue

Service revenue is recognized when services are provided according to the relevant agreements.

4.19 Government Grants

Government grants are recognized at their fair value only when there is reasonable assurance that the Company will comply with any conditions attached to the grants and the grants will be received. Government grants are recognized in profit or loss on a systematic basis over the periods in which the Company recognizes as expenses the related costs for which the grants are intended to compensate. Government grants related to noncurrent assets are recognized as noncurrent liabilities and are amortized to profit or loss over the estimated useful lives of the related assets using the straight-line method.

4.20 Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are capitalized as part of the cost of those assets until substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

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

4.21 Share-based payment transactions

For the equity-settled share-based payment arrangements, the employee services received are measured at the fair value of the equity instruments granted at the grant date and are recognized as compensation cost over the vesting period, with a corresponding adjustment to equity.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION AND UNCERTAINTY

The Company takes into account the economic impact of the covid-19 pandemic, changes in climates and related governmental policies and regulations, the conflicts between Ukraine and Russia as well as related international sanctions, inflation and volatility in interest rate on significant accounting estimates and reviews the basic assumptions and estimation on an ongoing basis. If a change in accounting estimate affects only the current period, the effect is recognized in the current period. If a change in accounting estimate affects both current and future periods, the effects are recognized in both periods.

In the preparation of these parent company only financial statements, the critical accounting judgments the Company has made, and the major sources of estimation and assumption uncertainty are described as follows:

5.1 Critical judgments in applying accounting policies

A. Investment property

The Company's properties are mainly held for owner-occupied, and some are held to earn rentals or for capital appreciation. If these portions could be sold separately, which will be disposal of as investment property and property, plant and equipment separately. If the portions could not be sold separately, the property is investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes.

B. Lease terms

In determining a lease term, the Company considers all facts and circumstances that create an economic incentive to exercise or not to exercise an option, including any expected changes in facts and circumstances from the commencement date until the exercise date of the option. Main factors considered include contractual terms and conditions for the periods covered by the option, significant leasehold improvements undertaken over the contract term, the importance of the underlying asset to the lessee's operations, etc. The lease term is reassessed if a significant change in circumstances that are within the control of the Company occurs.

5.2 Critical accounting estimation and assumption

A. Estimated impairment of financial assets

The provision for impairment of accounts receivable and debt investments is based on assumptions on risk of default and expected loss rates. The Company makes these assumptions and selects inputs for the impairment calculation, based on the Company's historical experience and existing market conditions, as well as forward looking information. Where the actual future cash inflows are less than expected, a material impairment loss may arise.

B. Realizability of deferred income tax assets

Deferred tax assets are recognized to the extent that it is probable that future taxable profits will be available against which those deferred tax assets can be utilized. The Company's management assesses the realizability of deferred tax assets by making critical accounting judgements and significant estimates of expected future revenue growth rate and gross profit rate, the tax exemption period, available tax credits, and tax planning, etc. Any changes in the global economic environment, the industry trends and relevant laws and regulations could result in significant adjustments to the deferred tax assets.

C. Evaluation of inventories

As inventories are stated at the lower of cost or net realizable value, and the Company uses judgements and actuarial assumptions to determine the net realizable value of inventory at the end of each reporting period. The Company needs to exercise judgments and estimates the net realizable value of inventory for obsolescence and unmarketable

items at the end of reporting period, and then writes down the cost of inventories to net realizable value. Such an evaluation of inventories is mainly based on the demand for the products within a specified period in the future. Therefore, there might be material changes to the evaluation.

D. Calculation of accrued pension obligations

When calculating the present value of defined pension obligations, the Company uses judgements and actuarial assumptions to determine related estimates, including discount rates and future salary increase rate at the end of reporting period. Any changes in these assumptions may have a significantly impact on the carrying amount of defined pension obligation.

E. The useful lives of the property, plant and equipment and investment property

The property, plant and equipment and investment property are average amortized using the straight-line method. The Company regularly assesses the useful lives and residual value of the property, plant and equipment and investment property. A significant change in the relevant estimate would be adjusted for that period and the following years.

F. Impairment assessment of tangible and intangible assets

In the course of impairment assessments, the Company determines, based on how assets are utilized and relevant industrial characteristics, the useful lives of assets and the future cash flows of a specific group of the assets. Changes in economic circumstances or the Company's strategy might result in material impairment of assets in the future.

G. The lessee's incremental borrowing rate

In determining a lessee's incremental borrowing rate used in discounting lease payments, a risk-free rate for the same currency and relevant duration is selected as a reference rate, and the lessee's credit spread adjustments and lease specific adjustments (such as asset type, guarantees, etc.) are also taken into account.

6. CONTENTS OF SIGNIFICANT ACCOUNTS

6.1 CASH AND CASH EQUIVALENTS

| Items | December 31, 2022 | December 31, 2021 |
|---|-------------------|-------------------|
| Cash on hand and petty cash | \$ 330 | \$ 338 |
| Checking accounts and demand deposits | 110,067 | 41,834 |
| Cash equivalents | | |
| Time deposits with original maturity period within three months | 122,840 | 78,366 |
| Total | \$ 233,237 | \$ 120,538 |

(1) The cash and cash equivalents of the Company are not pledged to others.

(2) The Company inward remittance of \$8,000 thousand in accordance with the Regulations

Governing the Investment of Repatriated Offshore Funds approved by the National Taxation Bureau, MOF, and submitted an investment plan to the MOEA on October 12, 2022. The approval letter was received on November 1, 2022. That amount is only used for the examined investment plan project under the relevant regulations, it should not be used for other purposes. As of December 31, 2022 and December 12, 2021, \$76,954 thousand and \$189,331 thousand were transferred to other noncurrent financial assets, respectively. As of December 12, 2022, \$144,158 thousand was transferred to other current financial assets.

(3) Please refer to Note 12 for relevant credit risk management and assessment methods.

6.2 NOTES RECEIVABLE

| Items | December 31, 2022 | December 31, 2021 |
|---|-------------------|-------------------|
| Gross carrying amount at amortized cost | \$ 10,639 | \$ 12,597 |
| Notes receivable, net | <u>\$ 10,639</u> | <u>\$ 12,597</u> |

(1) The Company has no notes receivable pledged to others.

(2) Please refer to Note 6.3 for the loss allowance for notes receivable.

6.3 ACCOUNTS RECEIVABLE - NON-RELATED PARTIES

| Items | December 31, 2022 | December 31, 2021 |
|---|-------------------|-------------------|
| Gross carrying amount at amortized cost | \$ 35,549 | \$ 50,206 |
| Less: loss allowance | <u>(1,281)</u> | <u>(770)</u> |
| Accounts receivable, net | <u>\$ 34,268</u> | <u>\$ 49,436</u> |

(1) The average credit period of sales of goods ranges from 30 to 90 days, which is determined by reference to the credit granting policy based on the counterparties' industrial characteristics, operation scales and profitability.

(2) The Company has no accounts receivable pledged to others.

(3) The Company applies the simplified approach to providing expected credit losses prescribed under IFRS 9, which permits the use of lifetime expected loss provision for all trade receivables. The expected credit losses are estimated using an allowance matrix with reference to past default experiences of the debtor, an analysis of the debtor's current financial position, adjusted for general economic conditions of the industry in which the debtors operate. As the Company's historical credit loss experience does not show

significantly different loss patterns for different customer segments, the following provision matrix for loss allowance based on past due status is not further distinguished according to the Company's different customer base.

- (4) The following table detailed the loss allowance of notes and accounts receivable based on the Company's provision matrix (include related parties):

December 31, 2022

| Aging terms | Gross carrying amount | Loss allowance (lifetime ECLs) | Amortized cost |
|-------------------------------|-----------------------|--------------------------------|----------------|
| Neither past due nor impaired | \$ 44,134 | \$ - | \$ 44,134 |
| Past due 1-90 days | 1,981 | - | 1,981 |
| Past due 91-180 days | 842 | - | 842 |
| Past due 181-360 days | 246 | (207) | 39 |
| Past due over 361 days | 1,074 | (1,074) | - |
| Total | \$ 48,277 | \$ (1,281) | \$ 46,996 |

December 31, 2021

| Aging terms | Gross carrying amount | Loss allowance (lifetime ECLs) | Amortized cost |
|-------------------------------|-----------------------|--------------------------------|----------------|
| Neither past due nor impaired | \$ 67,810 | \$ - | \$ 67,810 |
| Past due 1-90 days | 3,857 | - | 3,857 |
| Past due 91-180 days | 4 | - | 4 |
| Past due over 361 days | 809 | (770) | 39 |
| Total | \$ 72,480 | \$ (770) | \$ 71,710 |

- (5) Movements of the loss allowance for notes and accounts receivable (including related parties') were as follows:

| Items | 2022 | 2021 |
|---------------------------------|----------|--------|
| Balance, January 1 | \$ 770 | \$ 770 |
| Add : Provision for- impairment | 538 | - |
| Less: Write-offs | (27) | - |
| Balance, December 31 | \$ 1,281 | \$ 770 |

The Company did not hold any collaterals or other credit enhancements for these accounts receivable.

(6) Please refer to Note 12 for the relevant credit risk management and assessment methods.

6.4 OTHER RECEIVABLES, NET - NON-RELATED PARTIES

| Items | 2022 | 2021 |
|---|-----------------|-----------------|
| Gross carrying amount at amortized cost | \$ 3,073 | \$ 1,878 |
| Less: Loss allowance | (137) | (137) |
| Other receivables, net | <u>\$ 2,936</u> | <u>\$ 1,741</u> |

6.5 INVENTORIES AND OPERATING COSTS

| Items | December 31, 2022 | December 31, 2021 |
|-----------------|-------------------|-------------------|
| Raw materials | \$ 64,141 | \$ 55,581 |
| Work-in-process | 2,465 | 852 |
| Finished goods | 41,687 | 25,542 |
| Total | <u>\$ 108,293</u> | <u>\$ 81,975</u> |

(1) The cost of inventories recognized as expense for the period:

| Items | 2022 | 2021 |
|---|------------------|------------------|
| Loss on decline (gain on reversal) in market value of inventories | \$ 1,888 | \$ 15,095 |
| Inventories gain on physical taking | (954) | (1,271) |
| Loss on inventory disposed | 71 | 765 |
| Unallocated Production overheads | 27,657 | 51,012 |
| Total | <u>\$ 28,662</u> | <u>\$ 65,601</u> |

(2) The Company has no inventories pledged to others.

6.6 INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

Investments accounted for using the equity method consisted of the following:

| Items | December 31, 2022 | December 31, 2021 |
|--|---------------------|---------------------|
| Subsidiaries – Investments accounted for using equity method | \$ 2,816,176 | \$ 2,503,552 |
| Total | <u>\$ 2,816,176</u> | <u>\$ 2,503,552</u> |

Subsidiaries consisted of the following:

| Investee companies | December 31, 2022 | | December 31, 2021 | |
|--|---------------------|--------------|---------------------|--------------|
| | Amount | Equity ratio | Amount | Equity ratio |
| <u>Investments accounted for using equity method</u> | | | | |
| SHINIH HOLDING CO., LTD. | \$ 2,060,585 | 100% | \$ 1,788,252 | 100% |
| SHINIH VIETNAM COMPANY LTD. | 258,486 | 100% | 267,227 | 100% |
| SUNBURST INTERNATIONAL LTD. | 12,233 | 100% | 6,667 | 100% |
| VFT INC. | 269,512 | 100% | 206,246 | 100% |
| DONG GUAN TAIXIN FIBER PRODUCTS CO., LTD. | 41,844 | 100% | 79,805 | 100% |
| KUREHA (THAILAND) CO., LTD. | 78,210 | 50% | 68,200 | 50% |
| SHINIH FIBER PRODUCTS (SUZHOU) CO., LTD.(NOTE 1) | 18,241 | 11% | 14,190 | 11% |
| TAIWAN KUREHA CO., LTD. | 27,208 | 84.62% | 35,309 | 84.62% |
| INTERBOND CO., LTD. | 1,324 | 100% | 1,430 | 100% |
| SHINIH USA INC. | 48,533 | 100% | 36,226 | 100% |
| Total | <u>\$ 2,816,176</u> | | <u>\$ 2,503,552</u> | |

NOTE 1: The consolidated shareholding of the Company and subsidiary SHINIH HOLDING CO., LTD. (please refer to Table 8 for relevant information) is 100%.

- (1) For the information of the subsidiaries of the Company, please refer to Note 4.3 of 2022 consolidated financial statements.
- (2) The shares of profit or loss and other comprehensive profit and loss of the subsidiaries under equity method for the years ended 2022 and 2021 are recognized according to the audited financial statements for the same periods.
- (3) The Company invested Taixin Fiber Products (Suzhou) Co., Ltd. through SHINIH HOLDING CO., LTD. to enter into the land expropriation and compensation agreement with Taichang Municipal People's Government in November 2022. The agreement includes the compensations for collecting the immovable items such as the land use rights, buildings, and equipment, cessation of production and business, termination of labor contracts and related relocation expenses. As of December 31, 2022, Taixin Fiber Products (Suzhou) Co., Ltd. had completed the relevant agreement. Please refer to Note 6.26 of the consolidated financial statements for the relevant information.
- (4) The Company invested Hangzhou Shinih Fiber Products Co., Ltd. through SHINIH HOLDING CO., LTD. to enter into the land expropriation agreement with Xiaoshan Economic and Technological Development Zone Management Committee in July 2021. The agreement includes the compensations for collecting the immovable items such as the land use rights, buildings, and equipment, cessation of production and business, termination of labor contracts and related relocation expenses. As of December 31, 2022, Hangzhou Shinih Fiber Products Co., Ltd. had completed the relevant agreement. Please

refer to Note 6.26 of the consolidated financial statement for the relevant information.

6.7 PROPERTY, PLANT AND EQUIPMENT

| Items | December 31, 2022 | December 31, 2021 |
|--|-------------------|-------------------|
| Land | \$ 438,525 | \$ 438,525 |
| Land improvements | 6,931 | 12,670 |
| Buildings | 204,231 | 199,245 |
| Machinery | 668,229 | 409,956 |
| Other equipment | 53,019 | 49,075 |
| Equipment to be inspected and construction in progress | 520,419 | 600,894 |
| Total cost | 1,891,354 | 1,710,365 |
| Less: Accumulated depreciation and impairment | (481,802) | (366,456) |
| Total | \$ 1,409,552 | \$ 1,343,909 |

| | Land | Land improvements | Buildings | Machinery | Other equipment | Equipment to be inspected and construction in progress | Total |
|--|------------|-------------------|------------|------------|-----------------|--|--------------|
| <u>Cost</u> | | | | | | | |
| Balance, January 1, 2022 | \$ 438,525 | \$ 12,670 | \$ 199,245 | \$ 409,956 | \$ 49,075 | \$ 600,894 | \$ 1,710,365 |
| Additions | - | - | 851 | 7,152 | 2,033 | 178,588 | 188,624 |
| Disposals | - | (5,739) | - | (1,109) | (24) | - | (6,872) |
| Reclassification (Note) | - | - | 4,135 | 252,230 | 1,935 | (259,063) | (763) |
| Balance, December 31, 2022 | \$ 438,525 | \$ 6,931 | \$ 204,231 | \$ 668,229 | \$ 53,019 | \$ 520,419 | \$ 1,891,354 |
| <u>Accumulated depreciation and impairment</u> | | | | | | | |
| Balance, January 1, 2022 | \$ - | \$ 7,649 | \$ 90,456 | \$ 230,921 | \$ 37,430 | \$ - | \$ 366,456 |
| Depreciation expense | - | 1,279 | 7,598 | 60,227 | 3,143 | - | 72,247 |
| Disposals | - | (5,739) | - | (1,104) | (24) | - | (6,867) |
| Impairment loss | - | - | - | 49,966 | - | - | 49,966 |
| Balance, December 31, 2022 | \$ - | \$ 3,189 | \$ 98,054 | \$ 340,010 | \$ 40,549 | \$ - | \$ 481,802 |

| | Land | Land improvements | Buildings | Machinery | Other equipment | Equipment to be inspected and construction in progress | Total |
|--------------------------|------------|-------------------|------------|------------|-----------------|--|--------------|
| <u>Cost</u> | | | | | | | |
| Balance, January 1, 2021 | \$ 438,525 | \$ 9,630 | \$ 198,496 | \$ 380,314 | \$ 46,472 | \$ 578,031 | \$ 1,651,468 |
| Additions | - | 1,271 | 457 | 11,380 | 620 | 75,262 | 88,990 |

| | Land | Land improvements | Buildings | Machinery | Other equipment | Equipment to be inspected and construction in progress | Total |
|--|-------------------|-------------------|-------------------|-------------------|------------------|--|---------------------|
| Disposals | \$ - | \$ - | \$ - | \$ (2,693) | \$ (147) | \$ - | \$ (2,840) |
| Reclassification (Note) | - | 1,769 | 292 | 20,955 | 2,130 | (52,399) | (27,253) |
| Balance, December 31, 2021 | <u>\$ 438,525</u> | <u>\$ 12,670</u> | <u>\$ 199,245</u> | <u>\$ 409,956</u> | <u>\$ 49,075</u> | <u>\$ 600,894</u> | <u>\$ 1,710,365</u> |
| Accumulated depreciation and impairment | | | | | | | |
| Balance, January 1, 2021 | \$ - | \$ 6,582 | \$ 80,421 | \$ 181,448 | \$ 34,289 | \$ - | \$ 302,740 |
| Depreciation expense | - | 1,067 | 10,035 | 38,064 | 3,287 | - | 52,453 |
| Disposals | - | - | - | (2,434) | (146) | - | (2,580) |
| Impairment loss | - | - | - | 13,843 | - | - | 13,843 |
| Balance, December 31, 2021 | <u>\$ -</u> | <u>\$ 7,649</u> | <u>\$ 90,456</u> | <u>\$ 230,921</u> | <u>\$ 37,430</u> | <u>\$ -</u> | <u>\$ 366,456</u> |

Note : It is reclassified to transfer to the investment property of \$763 thousand in 2022. It is reclassified to transfer to prepayments for business facilities of \$27,253 thousand.

(1) The reconciliations of the current additions and the property, plant and equipment stated in the statement of cash flow are as follows:

| Items | 2022 | 2021 |
|---|-------------------|------------------|
| Additions to the property, plant and equipment | \$ 188,624 | \$ 88,990 |
| (Increase) decrease in payables to contractor and equipment suppliers | (6,706) | 2,279 |
| Payments for acquisition of property, plant and equipment | <u>\$ 181,918</u> | <u>\$ 91,269</u> |

(2) Please refer to Note 6.24 for information on capitalization of interest.

(3) Please refer to Note 8 for property, plant and equipment pledged by the Company as a guarantee for loans.

6.8 LEASE AGREEMENT

(1) Right-of-use assets

| Items | December 31, 2022 | December 31, 2021 |
|---|-------------------|-------------------|
| Buildings | \$ 11,672 | \$ 11,672 |
| Total cost | 11,672 | 11,672 |
| Less: Accumulated depreciation and impairment | (2,457) | (1,843) |
| Total | <u>\$ 9,215</u> | <u>\$ 9,829</u> |
| | Buildings | Total |
| Cost | | |
| Balance, January 1, 2022 | \$ 11,672 | \$ 11,672 |

| | Buildings | Total |
|---|-----------|-----------|
| Balance, December 31, 2022 | \$ 11,672 | \$ 11,672 |
| Accumulated depreciation and impairment | | |
| Balance, January 1, 2022 | \$ 1,843 | \$ 1,843 |
| Depreciation expense | 614 | 614 |
| Balance, December 31, 2022 | \$ 2,457 | \$ 2,457 |

| | Buildings | Total |
|---|-----------|-----------|
| Cost | | |
| Balance, January 1, 2021 | \$ 11,672 | \$ 11,672 |
| Balance, December 31, 2021 | \$ 11,672 | \$ 11,672 |
| Accumulated depreciation and impairment | | |
| Balance, January 1, 2021 | \$ 1,228 | \$ 1,228 |
| Depreciation expense | 615 | 615 |
| Balance, December 31, 2021 | \$ 1,843 | \$ 1,843 |

(2) Lease liabilities

| Items | December 31, 2022 | December 31, 2021 |
|--------------------------------------|-------------------|-------------------|
| Carrying amount of lease liabilities | | |
| Current | \$ 570 | \$ 563 |
| Noncurrent | \$ 8,884 | \$ 9,455 |

Range of discounts rate for lease liabilities is as follow:

| | December 31, 2022 | December 31, 2021 |
|-----------|-------------------|-------------------|
| Buildings | 1.40% | 1.40% |

Please refer to Note 12 for the maturity analysis of the lease liabilities.

(3) Other lease information

A. The Company leases the investment properties under operating lease agreements, please refer to Note 6.10 investment property.

B. The Company elected to apply the recognition exemption to short-term leases and low-value asset leases and, thus, did not recognize right-of-use assets and lease liabilities for these leases in 2022 and 2021. Details for the relevant expense are as follows:

| Items | 2022 | 2021 |
|--|--------|--------|
| Expenses relating to short-term leases | \$ 298 | \$ 217 |
| Total cash outflow for leases | \$ 998 | \$ 916 |

6.9 INVESTMENT PROPERTY

| Items | December 31, 2022 | December 31, 2021 |
|--------------------------------|-------------------|-------------------|
| Land | \$ 230,165 | \$ 230,165 |
| Buildings | 166,126 | 165,363 |
| Total cost | 396,291 | 395,528 |
| Less: Accumulated depreciation | (141,387) | (138,098) |
| Investment property, net | \$ 254,904 | \$ 257,430 |

| | Land | Buildings | Total |
|---|------------|------------|------------|
| Cost | | | |
| Balance, January 1, 2022 | \$ 230,165 | \$ 165,363 | \$ 395,528 |
| Additions | - | 763 | 763 |
| Balance, December 31, 2022 | \$ 230,165 | \$ 166,126 | \$ 396,291 |
| Accumulated depreciation and impairment | | | |
| Balance, January 1, 2022 | \$ - | \$ 138,098 | \$ 138,098 |
| Depreciation expense | - | 3,289 | 3,289 |
| Balance, December 31, 2022 | \$ - | \$ 141,387 | \$ 141,387 |

| | Land | Buildings | Total |
|--|-------------------|-------------------|-------------------|
| <u>Cost</u> | | | |
| Balance, January 1, 2021 | \$ 230,165 | \$ 164,238 | \$ 394,403 |
| Additions | - | 1,125 | 1,125 |
| Balance, December 31, 2021 | <u>\$ 230,165</u> | <u>\$ 165,363</u> | <u>\$ 395,528</u> |
| <u>Accumulated depreciation and impairment</u> | | | |
| Balance, January 1, 2021 | \$ - | \$ 134,598 | \$ 134,598 |
| Depreciation expense | - | 3,500 | 3,500 |
| Balance, December 31, 2021 | <u>\$ -</u> | <u>\$ 138,098</u> | <u>\$ 138,098</u> |

A. Rental revenue and direct operating expenses from investment property:

| Items | 2022 | 2021 |
|---|------------------|------------------|
| Rental revenue from investment properties | <u>\$ 33,983</u> | <u>\$ 36,771</u> |
| Direct operating expenses arising from the investment of property that generated rental revenue during the period | \$ 5,803 | \$ 6,104 |
| Direct operating expenses arising from the investment properties that did not generate rental revenue during the period | - | 474 |
| Total | <u>\$ 5,803</u> | <u>\$ 6,578</u> |

B. The Company will receive the total rent from leasing the investment properties under the operating lease agreement as follows:

| Items | December 31, 2022 | December 31, 2021 |
|--|-------------------|-------------------|
| Within 1 year | \$ 28,374 | \$ 34,923 |
| More than 1 year but less than 5 years | 13,169 | 35,737 |
| More than 5 years | 5,751 | 7,493 |
| Total | <u>\$ 47,294</u> | <u>\$ 78,153</u> |

C. The investment properties held by the Company are not measured at fair value, but only disclosed its fair value information. Its fair value hierarchy is Level 3. The fair values of the Company's investment properties were \$1,116,000 thousand and \$1,093,000 thousand

respectively as of December 31, 2022 and 2021. Those fair values were assessed by the Company's management by reference to the transaction prices of similar properties, but did not be assessed by independent valuer.

D. Please refer to Note 8 for investment properties pledged by the Company as a guarantee for loans.

6.10 INTANGIBLE ASSETS

| Items | December 31, 2022 | December 31, 2021 |
|--|-------------------|-------------------|
| Computer software | \$ 13,729 | \$ 12,685 |
| Other intangible assets – spunbond technology and rights | 7,392 | 7,392 |
| Total costs | 21,121 | 20,077 |
| Less: Accumulated amortization | (13,364) | (12,232) |
| Total | <u>\$ 7,757</u> | <u>\$ 7,845</u> |

| | 2022 | | |
|--|-------------------|--|------------------|
| | Computer software | Other intangible assets–spunbond technology and rights | Total |
| <u>Cost</u> | | | |
| Balance, January 1 | \$ 12,685 | \$ 7,392 | \$ 20,077 |
| Additions | 1,044 | - | 1,044 |
| Balance, December 31 | <u>\$ 13,729</u> | <u>\$ 7,392</u> | <u>\$ 21,121</u> |
| <u>Accumulated amortization and impairment</u> | | | |
| Balance, January 1 | \$ 12,232 | \$ - | \$ 12,232 |
| Amortization expense | 1,132 | - | 1,132 |
| Balance, December 31 | <u>\$ 13,364</u> | <u>\$ -</u> | <u>\$ 13,364</u> |

| | 2021 | | |
|--|-------------------|--|------------------|
| | Computer software | Other intangible assets–spunbond technology and rights | Total |
| <u>Cost</u> | | | |
| Balance, January 1 | \$ 12,685 | \$ 7,392 | \$ 20,077 |
| Balance, December 31 | <u>\$ 12,685</u> | <u>\$ 7,392</u> | <u>\$ 20,077</u> |
| <u>Accumulated amortization and impairment</u> | | | |
| Balance, January 1 | \$ 10,914 | \$ - | \$ 10,914 |
| Amortization expense | 1,318 | - | 1,318 |
| Balance, December 31 | <u>\$ 12,232</u> | <u>\$ -</u> | <u>\$ 12,232</u> |

6.11 SHORT-TERM LOANS

| The nature of loans | December 31, 2022 | December 31, 2021 |
|---------------------|--------------------|--------------------|
| Unsecured loans | \$ 330,687 | \$ 141,377 |
| Secured loans | <u>120,000</u> | <u>120,000</u> |
| Total | <u>\$ 450,687</u> | <u>\$ 261,377</u> |
| Interest rate range | <u>1.50%~6.50%</u> | <u>0.83%~1.06%</u> |

Please refer to Note 8 for the assets pledged by the Company as a guarantee for the abovementioned loans.

6.12 OTHER PAYABLES

| Items | December 31, 2022 | December 31, 2021 |
|---|-------------------|-------------------|
| Salaries and bonuses payable | \$ 25,565 | \$ 25,241 |
| Payable for equipment and construction | 19,788 | 13,082 |
| Compensation payable to employees and directors | 9,640 | 21,733 |
| Others | <u>30,439</u> | <u>30,648</u> |
| Total | <u>\$ 85,432</u> | <u>\$ 90,704</u> |

6.13 LONG-TERM LOANS AND CURRENT PORTION

| The nature of loans | December 31, 2022 | December 31, 2021 |
|-----------------------|--------------------|--------------------|
| Secured loans | \$ 1,140,000 | \$ 1,040,000 |
| Less: Current portion | <u>(166,250)</u> | <u>(132,917)</u> |
| Total | <u>\$ 973,750</u> | <u>\$ 907,083</u> |
| Interest rate range | <u>1.65%~2.02%</u> | <u>1.15%~1.40%</u> |
| Year to maturity | <u>2024~2027</u> | <u>2024~2025</u> |

1. The method of repayment for the Company's long-term loans is paid in instalments to Chang Hwa Bank and Bank of Shanghai. The principal amount will be paid in full to KGI Bank at the maturity date.
2. Please refer to Note 8 for the assets pledged by the Company as a guarantee for the abovementioned loans.

6.14 RETIREMENT BENEFIT PLANS

(1) Defined contribution plans

- A. The employee pension plan under the Labor Pension Act of the R.O.C. (the Act) is a defined contribution plan. Pursuant to the plan, the Company has made monthly contributions equal to 6% of each employee's salary to employees' pension accounts.
- B. The Company recognized expenses in the parent company only statements of comprehensive income were \$6,140 thousand and \$5,755 thousand under the contributions rates specified in the plans for years ended December 31, 2022 and 2021, respectively.

(2) Defined benefit plans

- A. The Company has a defined benefit plans in accordance with the Labor Standards Law of the R.O.C. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company has made monthly contributions equal to 2% of each employee' salary to employees' pension accounts, which submit to the Labor Retirement Reserve Supervisory Committee to the retirement fund deposited in Bank of Taiwan under the name of the committee. The Fund is managed by the Government's designated authorities and the Company have no right to influence their investment strategies.
- B. Amounts recognized in the parent company only balance sheets are as follows:

| Items | December 31, 2022 | December 31, 2021 |
|--|-------------------|-------------------|
| Present value of defined benefit obligations | \$ 14,052 | \$ 16,587 |
| Fair value of plan assets | (13,168) | (12,818) |
| Net defined benefit liability | <u>\$ 884</u> | <u>\$ 3,769</u> |

C. Movements in net defined benefit liability are as follows:

| Items | 2022 | | |
|---|--|---------------------------|-------------------------------|
| | Present value of defined benefit obligations | Fair value of plan assets | Net defined benefit liability |
| Balance, January 1 | \$ 16,587 | \$ (12,818) | \$ 3,769 |
| Service costs | | | |
| Current service cost | 46 | - | 46 |
| Interest expense (revenue) | 106 | (80) | 26 |
| Amounts recognized in profit and loss | 152 | (80) | 72 |
| Remeasurements | | | |
| Return on plan assets (Amounts included in interest income or expense are excluded) | - | (1,001) | (1,001) |
| Actuarial (gains) losses | | | |
| Effect of changes in financial assumptions | (840) | - | (840) |
| Experience adjustments | 116 | - | 116 |
| Amounts recognized in other comprehensive income (losses) | (724) | (1,001) | (1,725) |
| Pension fund contributions | - | (1,232) | (1,232) |
| Paid pension | (1,963) | 1,963 | - |
| Balance, December 31 | <u>\$ 14,052</u> | <u>\$ (13,168)</u> | <u>\$ 884</u> |

| Items | 2021 | | |
|---|--|---------------------------|-------------------------------|
| | Present value of defined benefit obligations | Fair value of plan assets | Net defined benefit liability |
| Balance, January 1 | \$ 15,342 | \$ (12,465) | \$ 2,877 |
| Service costs | | | |
| Current service cost | 127 | - | 127 |
| Interest expense(revenue) | 50 | (40) | 10 |
| Amounts recognized in profit and loss | 177 | (40) | 137 |
| Remeasurements | | | |
| Return on plan assets (Amounts included in interest income or expense are excluded) | - | (185) | (185) |
| Actuarial (gains) losses | | | |
| Effect of changes in financial assumptions | (575) | - | (575) |
| Experience adjustments | 1,881 | - | 1,881 |
| Effect of changes in demographic assumptions | 368 | - | 368 |
| Amounts recognized in other comprehensive income (losses) | 1,674 | (185) | 1,489 |
| Pension fund contributions | - | (128) | (128) |
| Paid pension | (606) | - | (606) |
| Balance, December 31 | \$ 16,587 | \$ (12,818) | \$ 3,769 |

The pension costs of the aforementioned defined benefit plans are recognized in profit or loss by the following categories:

| Items | 2022 | 2021 |
|-----------------|-------|--------|
| Operating costs | \$ 72 | \$ 137 |
| Total | \$ 72 | \$ 137 |

Information about fair value of plan assets are as follows:

| Item | December 31, 2022 | December 31, 2021 |
|---------------------------|-------------------|-------------------|
| Cash and cash equivalents | \$ 13,168 | \$ 12,818 |

D. Because of the defined benefit plans under the Labor Standards Law, the Company is exposed to the following risks:

(a) Investment risk

The pension funds are invested in equity and debt securities, bank deposits, etc. at the discretion of the Bureau of Labor Funds of Ministry of Labor, or under the mandated management. However, under the Labor Standards Law, the rate of return on plan assets shall not be less than the average interest rate on a two-year time deposit published by the local banks.

(b) Interest risk

A decrease in the government bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the debt investments of the plan assets.

(c) Salary risk

The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

E. The actuarial valuations of the present value of the defined benefit obligation were carried out by qualified actuaries. The significant assumptions on measurement date were as follows:

| Items | December 31, 2022 | December 31, 2021 |
|-------------------------------|-------------------|-------------------|
| Discount rate | 1.30% | 0.69% |
| Expected salary increase rate | 1.50% | 1.50% |

Reasonably possible changes to the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below:

| Items | December 31, 2022 | December 31, 2021 |
|-------------------------------|-------------------|-------------------|
| Discount rate | | |
| Increase 0.5% | \$ (674) | \$ (829) |
| Decrease 0.5% | 703 | 863 |
| Expected salary increase rate | | |
| Increase 0.5% | 674 | 845 |
| Decrease 0.5% | (632) | (796) |

The sensitivity analysis presented above may not be representative of the actual change in the present value of the defined benefit obligation as it is unlikely that the change in

assumptions would occur in isolation of one another as some of the assumptions may be correlated.

- F. The Company expects to make a contribution to its defined benefit pension plans next year is \$117 thousand. The weighted average maturity period of the defined benefit obligation is 9.2 years.

6.15 COMMON STOCKS

- (1) As of December 31, 2022, the Company's authorized capital was \$2,000,000 thousand, consisting of 200,000 thousand shares, and the total amount of paid-in capital was \$1,091,071 thousand with a nominal value of \$10 each. The number of shares issued by the Company has been fully paid-up.
- (2) The reconciliation of the number and amount of the Company's common stocks outstanding is as follows:

| Items | 2022 | 2021 |
|--|----------------|----------------|
| On January 1 | 106,170 | 109,107 |
| Purchase of treasury stock | (567) | (2,937) |
| Subscription of treasury stock by employees | 305 | - |
| On December 31 | <u>105,908</u> | <u>106,170</u> |

6.16 CAPITAL SURPLUS

| Items | December 31, 2022 | December 31, 2021 |
|---|-------------------|-------------------|
| Additional paid-in capital arising from bond conversion | \$ 213,926 | \$ 213,926 |
| Recognition of changes in ownership interest in subsidiaries | 4 | 4 |
| Others | <u>16,844</u> | <u>16,844</u> |
| Total | <u>\$ 230,774</u> | <u>\$ 230,774</u> |

Under the Company Act, the capital surplus generated from the excess of the issuance price over the par value of capital stock (including additional paid-in capital from issuance of common stocks and additional paid-in capital arising from bond conversion) and from donations can be used to offset deficit or may be distributed as stock dividends or cash dividends. Under the regulations of the Security Exchange Law, the maximum amount transferred from the foregoing capital surplus to the Company's capital per year shall not be over 10% of the Company's capital surplus. Capital surplus can't be used to offset deficit

unless legal capital reserve is insufficient. The capital surplus from shares of changes in equities and stock options may not be used for any purpose.

6.17 RETAINED EARNINGS AND DIVIDEND POLICY

(1) According to the Company's Article of Incorporation, the current year's earnings, if any, shall first pay taxes, offset its operating losses, set aside a legal capital reserve at 10% of the remaining earnings until the accumulated legal capital reserve equals the Company's paid-in capital then reversal or set aside a special capital reserve in accordance with relevant laws or as requested by the authorities in charge. Any balance left over shall be allocated with unappropriated earnings submitted by the Board of Directors to be approved at a shareholders' meeting to distribute dividend to shareholders.

Cash dividends distribute the allocation of the abovementioned dividends as a priority, but it depends on the proportion of cash dividends on the Company's capital expenditure plan. Among these, the aggregate proportion of capitalization of retained earnings and capital surplus transferred to common stock should not exceed 90% of the total dividends for the year.

(2) Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal capital reserve shall not be used for any other purpose. The use of legal capital reserve for the issuance of new stocks or cash to shareholders in proportion to their share ownership is limited to the portion in excess of 25% of the Company's paid-in capital.

(3) Special capital reserve

| Items | December 31, 2022 | December 31, 2021 |
|--|-------------------|-------------------|
| Provisions on initial application of IFRSs | \$ 106,123 | \$ 106,123 |
| Provisions on debited other equity | 42,838 | 9,806 |
| Total | \$ 148,961 | \$ 115,929 |

A. In accordance with the regulation, the Company shall set aside special capital reserve from the debit balance on other equity item at the end of the year before distributing earnings. When debit balance on other equity is reversed subsequently, the reversed amount could be included in the distributable earnings.

B. The amounts set aside by the Company as \$106,123 thousand of special capital reserve on the initial application of IFRSs in accordance with rule NO.1010012865 issued by the FSC, dated April 6, 2012, are unrealized revaluation reserve transferred to retained

earnings, shall be reversed proportionately to retained earnings when the relevant assets are used, disposed of or reclassified subsequently.

- (4) The appropriations of 2021 and 2020 earnings have been approved by shareholders' meetings held on March 25, 2022 and March 26, 2021, respectively. The appropriations of earnings and dividends per share were as follows:

| Items | Appropriation of Earnings | | Dividends Per Share (NT\$) | |
|-------------------------|---------------------------|------------------|----------------------------|---------|
| | 2021 | 2020 | 2021 | 2020 |
| Legal capital reserve | \$ 51,321 | \$ 7,603 | | |
| Special capital reserve | 33,032 | 9,806 | | |
| Cash dividends | 105,603 | 43,643 | \$ 1.00 | \$ 0.40 |
| Total | <u>\$ 189,956</u> | <u>\$ 61,052</u> | | |

The abovementioned legal capital reserve and special capital reserve have been approved by shareholder's meeting held on June 17, 2022 and July 23, 2021, respectively.

- (5) The Company's appropriation of earnings for 2022 had been approved in the Board meeting held on March 24, 2023. The appropriations of earnings were as follows:

| Items | Appropriation of Earnings | Dividends Per Share (NT\$) |
|-------------------------|---------------------------|----------------------------|
| Legal capital reserve | \$ 22,597 | |
| Special capital reserve | (42,838) | |
| Cash dividends | 111,204 | \$ 1.05 |
| Total | <u>\$ 90,963</u> | |

The abovementioned legal capital reserve and special capital reserve are to be presented for approval in the shareholders' meeting held on June 16, 2023.

- (6) Information on the resolution of the Board and shareholders meetings regarding the appropriation of earnings is available from the Market Observation Post System on the website of the TWSE.

6.18 OTHER EQUITY

- A. Exchange differences on translation of foreign operations

| Items | 2022 | 2021 |
|---|------------------|--------------------|
| Balance, January 1 | \$ (42,838) | \$ (9,806) |
| Exchange differences on translation of foreign operations | 109,351 | (41,290) |
| Income taxes arising from exchange differences on translation of foreign operations | (21,870) | 8,258 |
| Balance, December 31 | <u>\$ 44,643</u> | <u>\$ (42,838)</u> |

The exchange difference arising from the translation of the net assets of foreign operations from their functional currency to the presentation currency of the Company is recognized directly in other comprehensive income and accumulated to the exchange differences arising from exchange differences on translation of foreign operations. Those previous exchange differences will be reclassified to profit or loss when the disposal of foreign operations.

6.19 TREASURY STOCK

- Reasons for share repurchase and movements in the number of the treasury stock are as follows:

(Unit: Shares in thousand)

| Reasons for share repurchase | 2022 | | |
|---------------------------------|-----------------------|--|-------------------------|
| | Balance, January 1 | Increase (decrease) during the year | Balance, December 31 |
| To be reissued to employees | <u>2,937</u> | <u>262</u> | <u>3,199</u> |
| Reasons for share repurchase | 2021 | | |
| | Balance, January 1 | Increase (decrease) during the year | Balance, December 31 |
| To be reissued to employees | <u>-</u> | <u>2,937</u> | <u>2,937</u> |

- The Company held the Board meeting on November 9, 2021, when the board approved repurchasing the Company's common stock and transfer to employees. It is estimated

to repurchase 5,000 shares. The repurchase terms are from November 10, 2021 to January 9, 2022 with the value ranging from \$15.65 to \$33.05. There are 3,504 thousand treasury stocks during the repurchase period; the average price is \$23.41 for each for \$82,028 thousand. As of December 31, 2022, the Company has transferred 305 thousand shares; the remaining repurchase amount is \$74,888 thousand.

- (2) The Company transferred treasury stock to employees under the Regulation of Transferring the Repurchased Treasury Stock approved by the board on August 9, 2022. The transfer price was the actual repurchased price of \$23.41. The subscription benchmark date was August 9, 2021 and the price per share was \$20.50 on the subscription benchmark date. The fair value of the subscription per share was \$0. As of December 31, 2022, there were 305 thousand shares for transferred shares with fully paid. All of them are transferred.
- (3) Pursuant to the R.O.C. Securities and Exchange Law, the number of shares bought back as treasury stock should not exceed 10% of the number of the Company's issued, outstanding shares and the amount bought back should not exceed the sum of retained earnings, paid-in capital in excess of par value and realized capital surplus.
- (4) Pursuant to the R.O.C. Securities and Exchange Law, treasury stock should not be pledged as collateral and are not entitled to dividends before they are reissued.
- (5) Pursuant to the R.O.C. Securities and Exchange Law, treasury stock should be reissued to the employees within three years from the repurchase date and shares not reissued within the three-year period are to be retired.

6.20 OPERATING REVENUE

| Items | 2022 | 2021 |
|---------------------------------------|------------|------------|
| Revenue from contracts with customers | | |
| Sale of goods | \$ 409,943 | \$ 369,885 |
| Subtotal | 409,943 | 369,885 |
| Rental revenue | | |
| Rental revenue from property | 33,983 | 36,771 |
| Total | \$ 443,926 | \$ 406,656 |

A. Description of customer contract

The customer contract represents the revenue from selling the nonwoven material and bedding. The target customers are the buyers of the manufactured garments and motor

vehicle parts, and the Company sells at price stipulated in contract. The consideration is classified as short-term receivables, and is therefore measured at invoice price.

B. Disaggregation of revenue from contracts with customers

The Company classifies revenue from the following categories of main products:

| Items | 2022 | | 2021 | |
|--|------|---------|------|---------|
| Major products /Service line | | | | |
| Nonwoven material | \$ | 398,096 | \$ | 354,203 |
| Bedding and others | | 11,847 | | 15,682 |
| Total | \$ | 409,943 | \$ | 369,885 |
| Timing of revenue recognition | | | | |
| Performance obligation satisfied at a point in time | \$ | 409,943 | \$ | 369,885 |

C. Contract balances

The Company recognizes contract liabilities related to the revenue from contracts with customers as follows:

| Items | December 31, 2022 | | December 31, 2021 | |
|-----------------------------------|-------------------|-------|-------------------|-------|
| Contract liabilities - current | \$ | 7,327 | \$ | 5,621 |

6.21 PERSONNEL, DEPRECIATION AND AMORTIZATION EXPENSES

| By nature | 2022 | | | 2021 | | |
|------------------------------|------------------|----------------------|------------|------------------|----------------------|------------|
| | Cost of sales | Operating expense | Total | Cost of sales | Operating expense | Total |
| Employee benefit expenses | | | | | | |
| Salary | \$ 64,284 | 88,512 | \$ 152,796 | \$ 51,481 | \$ 96,354 | \$ 147,835 |
| Insurance | 7,241 | 8,540 | 15,781 | 6,073 | 7,930 | 14,003 |
| Pension | 2,228 | 3,984 | 6,212 | 2,075 | 3,817 | 5,892 |
| Remuneration to directors | - | 3,685 | 3,685 | - | 6,718 | 6,718 |
| Others | 2,694 | 2,496 | 5,190 | 2,078 | 2,201 | 4,279 |
| Depreciation | 35,726 | 40,424 | 76,150 | 33,184 | 23,384 | 56,568 |
| Amortization | - | 1,132 | 1,132 | - | 1,318 | 1,318 |
| Total | \$ 112,173 | \$ 148,773 | \$ 260,946 | \$ 94,891 | \$ 141,722 | \$ 236,613 |

- A. The average number of employees of the Company in 2022 and 2021 were 249 and 246, respectively. Among them, the numbers of non-employee Directors were 4 and 5, respectively. The average employee benefits expenses were \$735 thousand and \$714 thousand for 2022 and 2021, respectively. The average salaries were \$624 thousand and \$613 thousand for 2022 and 2021, respectively. The average salaries in 2022 and 2021 increased by 1.79%. The Company did not have any supervisors in 2022 and 2021, so there was no supervisors' remuneration.
- B. The salary and remuneration policy of the Company
- (a) Directors' remuneration
- According to the Company's Articles of Incorporation, the Company may pay remuneration to directors when they perform their duties for the Company, regardless of the Company's operating profit or loss. The remuneration is authorized by the Board according to their degree of participation and contribution to the Company's operation and the usual level of the same industry. All directors may receive travel expenses according to the actual situation.
- (b) Managers' remuneration
- Managers' remuneration is paid according to the Company's employee salary regulations, and is reviewed by the Remuneration Committee and submitted to the Board for resolution.
- (c) Employees' compensation
- The salary and remuneration of employees include monthly salary, retirement pension, bonus and employee compensation, which are paid according to their duties, contributions, performance and responsibilities.
- C. The profit before tax represents the amount before the Company deducts the employee's and directors' remuneration for the year. The Company is stipulated to distribute compensation of employees at the rate between 1% to 5% of profit before tax, and directors' remuneration at the rate not higher than 3% of profit before tax. If there is a change in the proposed amount after the annual financial statement are authorized for issue, the difference is recorded as a change in accounting estimate and adjusted in the next fiscal year. The number of employee stock compensation shares is calculated based on the closing price of the day before the board resolution date of the following year and taking into account the effects of ex-rights and ex-dividend.
- D. The appropriations of employees' compensation and directors' remuneration for 2021 and 2020 have been approved by the board of directors held on March 25, 2022, and March 26, 2021, respectively. The amount of approved and recognized in financial statement is shown as follows.

| | 2022 | | 2021 | |
|---|-------------------------|-------------------------|-------------------------|-------------------------|
| | Employees' compensation | Directors' remuneration | Employees' compensation | Directors' remuneration |
| Amounts approved | \$ 7,230 | \$ 2,410 | \$ 16,300 | \$ 5,433 |
| Amounts recognized in financial statement | 7,230 | 2,410 | 16,300 | 5,433 |
| Difference | \$ - | \$ - | \$ - | \$ - |

The aforementioned employees' compensation is distributed in cash.

- E. Information regarding employees' compensation and directors' remuneration of the Company is available from the Market Observation Post System on the website of the TWSE.

6.22 OTHER INCOME

| Items | 2022 | 2021 |
|----------------------|-----------|-----------|
| Service income | \$ 23,134 | \$ 14,617 |
| Commission income | 7,505 | 8,806 |
| Government subsidies | 20 | 1,915 |
| Others | 9,601 | 980 |
| Total | \$ 40,260 | \$ 26,318 |

6.23 OTHER GAINS AND LOSSES

| Items | 2022 | 2021 |
|--|-------------|-------------|
| Foreign exchange gains (losses), net | \$ 39,539 | \$ (7,012) |
| Gain (loss) on disposal of property, plant and equipment | 274 | (260) |
| Impairment loss on property, plant and equipment | (49,966) | (13,843) |
| Others | (5) | (14) |
| Total | \$ (10,158) | \$ (21,129) |

6.24 FINANCIAL COSTS

| Items | 2022 | 2021 |
|---|------------------|-----------------|
| Interest expense | | |
| Bank loans | \$ 21,293 | \$ 13,762 |
| Interest on lease liabilities | 137 | 145 |
| Less: Capitalized amount for qualified assets | <u>(6,991)</u> | <u>(6,689)</u> |
| Financial costs | <u>\$ 14,439</u> | <u>\$ 7,218</u> |
| Interest capitalization rates | <u>1.43%</u> | <u>1.12%</u> |

6.25 INCOME TAX

A. Income tax expense

(1) Components of income tax expense

| Items | 2022 | 2021 |
|--|-----------------|-----------------|
| Tax on unappropriated earnings | \$ 16,163 | \$ 749 |
| Repatriated offshore funds | - | 11,024 |
| Adjustments on prior years | 2,401 | - |
| Deferred income tax related to temporary differences and unused loss carryforwards | <u>(11,843)</u> | <u>(3,659)</u> |
| Income tax expense recognized in profit or loss | <u>\$ 6,721</u> | <u>\$ 8,294</u> |

(2) Income tax expenses (benefits) recognized in other comprehensive income

| Items | 2022 | 2021 |
|---|------------------|-------------------|
| Exchange differences on translation of foreign operations | \$ 21,870 | \$ (8,258) |
| Remeasurements of defined benefit plans | <u>345</u> | <u>(298)</u> |
| Total | <u>\$ 22,215</u> | <u>\$ (8,556)</u> |

B. Reconciliation between accounting profit and income tax expense recognized in profit or loss:

| Items | 2022 | 2021 |
|--|-----------------|-----------------|
| Income before tax | \$ 231,121 | \$ 521,518 |
| Income tax expense at the statutory rate | \$ 46,224 | \$ 104,304 |
| Tax effect of adjusting items: | | |
| Deductible items in determining taxable income | (46,224) | (104,304) |
| Repatriated offshore funds | - | 11,204 |
| Income tax on unappropriated earnings | 16,163 | 749 |
| Income tax adjustments on prior years | 2,401 | - |
| Deferred income tax related to temporary differences | (11,843) | (3,659) |
| Income tax expense recognized in profit or loss | <u>\$ 6,721</u> | <u>\$ 8,294</u> |

The profit-seeking enterprise income tax rate for entities subject to the ROC is 20%, and the tax rate for unappropriated earnings is 5%.

C. Income tax assets and liabilities:

| Items | December 31, 2022 | December 31, 2021 |
|------------------------|-------------------|-------------------|
| Income tax assets | \$ 12,376 | \$ 13,805 |
| Income tax liabilities | \$ 16,262 | \$ 451 |

D. Deferred tax assets or liabilities arising from temporary differences, operating loss carryforward, and investment tax credit:

| Items | 2022 | | | |
|-----------------------------|-----------|------------------------------|--|-------------|
| | January 1 | Recognized in (losses) gains | Recognized in other comprehensive income | December 31 |
| Deferred income tax assets | | | | |
| Operating carryforward loss | \$ 2,987 | \$ (2,987) | \$ - | \$ - |
| Temporary differences | | | | |
| Unrealized loss on | 5,706 | 378 | - | 6,084 |

| Items | 2022 | | | |
|---|--------------------|---------------------------------|---|--------------------|
| | January 1 | Recognized in (losses) gains | Recognized in other comprehensive income | December 31 |
| inventories | | | | |
| Net defined benefit liability | \$ 1,270 | \$ (232) | \$ (345) | \$ 693 |
| Investment income and unrealized profits/losses of subsidiaries | - | 11,985 | - | 11,985 |
| Exchange differences on translation of foreign operations | 31,680 | - | (21,870) | 9,810 |
| Impairment loss | - | 9,683 | - | 9,683 |
| Unrealized profit on debt conversion | 40,984 | (133) | - | 40,851 |
| Others | 2,165 | (1,307) | - | 858 |
| Total | <u>\$ 84,792</u> | <u>\$ 17,387</u> | <u>\$ (22,215)</u> | <u>\$ 79,964</u> |
| Deferred income tax liabilities | | | | |
| Provision on land value increment tax | \$ (65,107) | \$ - | \$ - | \$ (65,107) |
| Unrealized exchange gain | - | (4,542) | - | (4,542) |
| Investment income and unrealized profits/losses of subsidiaries | (10,842) | (1,002) | - | (11,844) |
| Total | <u>\$ (75,949)</u> | <u>\$ (5,544)</u> | <u>\$ -</u> | <u>\$ (81,493)</u> |

| Items | 2021 | | | |
|--------------------------------|-----------|---------------------------------|---|-------------|
| | January 1 | Recognized in (losses) gains | Recognized in other comprehensive income | December 31 |
| Deferred income tax assets | | | | |
| Operating carryforward loss | \$ 4,488 | \$ (1,501) | \$ - | \$ 2,987 |
| Temporary differences | | | | |
| Unrealized loss on inventories | 2,687 | 3,019 | - | 5,706 |
| Net defined benefit liability | 974 | (2) | 298 | 1,270 |

| Items | 2021 | | | |
|--|--------------------|---------------------------------|---|--------------------|
| | January 1 | Recognized in (losses) gains | Recognized in other comprehensive income | December 31 |
| Investment income and unrealized profits/ losses of subsidiaries | \$ (13,521) | \$ 13,521 | \$ - | \$ - |
| Exchange differences on translation of foreign operations | 23,422 | - | 8,258 | 31,680 |
| Unrealized profit on debt conversion | 41,117 | (133) | - | 40,984 |
| Others | 2,568 | (403) | - | 2,165 |
| Total | \$ 61,735 | \$ 14,501 | \$ 8,556 | \$ 84,792 |
| Deferred income tax liabilities | | | | |
| Provision on land value increment tax | \$ (65,107) | \$ - | \$ - | \$ (65,107) |
| Investment income and unrealized profits/ losses of subsidiaries | - | (10,842) | - | (10,842) |
| Total | \$ (65,107) | \$ (10,842) | \$ - | \$ (75,949) |

E. The income tax returns of the Company have examined through 2020 by tax authority.

6.26 OTHER COMPREHENSIVE INCOME

| Items | 2022 | | |
|--|-------------------|-------------------------|------------------|
| | Before tax | Income tax (expense) | After tax |
| Items that will not be reclassified to profit or loss: | | | |
| Remeasurements of defined benefit plans | \$ 1,725 | \$ (345) | \$ 1,380 |
| Remeasurements of the defined benefit plans of subsidiaries recognized by the equity method | 186 | - | 186 |
| Items that may be reclassified subsequently to profit or loss: | | | |
| Exchange differences on translation of foreign operations | 109,351 | (21,870) | 87,481 |
| Total | \$ 111,262 | \$ (22,215) | \$ 89,047 |

| Items | 2021 | | |
|---|--------------------|---------------------------------|--------------------|
| | Before tax | Income tax (expense) benefit | After tax |
| Items that will not be reclassified to profit or loss: | | | |
| Remeasurements of defined benefit plans | \$ (1,489) | \$ 298 | \$ (1,191) |
| Remeasurements of the defined benefit plans of subsidiaries recognized by the equity method | 1,180 | - | 1,180 |
| Items that may be reclassified subsequently to profit or loss: | | | |
| Exchange differences on translation of foreign operations | (41,290) | 8,258 | (33,032) |
| Recognized in other comprehensive income | <u>\$ (41,599)</u> | <u>\$ 8,556</u> | <u>\$ (33,043)</u> |

6.27 EARNINGS PER SHARE

| Items | 2022 | 2021 |
|---|-------------------|-------------------|
| Basic earnings per share | | |
| Net income attributable to ordinary shareholders of the Company | <u>\$ 224,400</u> | <u>\$ 513,224</u> |
| Weighted average shares outstanding (in thousands) | <u>105,731</u> | <u>108,873</u> |
| Basic earnings per share (after tax) (in dollars) | <u>\$ 2.12</u> | <u>\$ 4.71</u> |
| Diluted earnings per share | | |
| Net income attributable to ordinary shareholders of the Company | <u>\$ 224,400</u> | <u>\$ 513,224</u> |
| Net income for calculating diluted earnings per share | <u>\$ 224,400</u> | <u>\$ 513,224</u> |
| Weighted average shares outstanding (in thousands) | 105,731 | 108,873 |
| Effect of dilutive potential common shares | | |
| Employees' compensation (in thousands) | <u>\$ 523</u> | <u>\$ 771</u> |
| Weighted average shares outstanding for diluted earnings per share (in thousands) | <u>106,254</u> | <u>109,644</u> |
| Diluted earnings per share (after tax) (in dollars) | <u>\$ 2.11</u> | <u>\$ 4.68</u> |

If the Company is able to settle the employee compensation by cash or stocks, the employee compensation should be assumed to be settled in stocks and the resulting potential shares increased should be included in the weighted average shares outstanding in calculation of diluted earnings per share, if the shares have a dilutive effect. Such dilutive effect of the potential shares needs to be included in the calculation of diluted earnings per share until employee compensation is approved in the following year.

7. RELATED PARTY TRANSACTIONS

A. Names of related parties and relationship

| Names of related parties | Relationship with the Company |
|---|-------------------------------|
| TAIWAN KUREHA CO., LTD. (TAIWAN KUREHA) | Subsidiaries |
| SHINIH HOLDING CO., LTD. (HOLDING) | Subsidiaries |
| SUNBURST INTERNATIONAL LTD. | Subsidiaries |
| VFT INC. (VFT) | Subsidiaries |
| KUREHA (THAILAND) CO., LTD. | Subsidiaries |
| SHINIH USA INC. (USA HOLDING) | Subsidiaries |
| SHINIH VIETNAM COMPANY LTD. | Subsidiaries |
| S INTERNATIONAL INC.(SII) | Sub-Subsidiaries |
| DONG GUAN TAIXIN FIBER PRODUCTS CO., LTD. (DONG GUAN TAIXIN) | Subsidiaries |
| INTERBOND CO., LTD. (INTERBOND) | Subsidiaries |
| SHINIH FIBER PRODUCTS (SUZHOU) CO., LTD. (SHINIH SUZHOU) | Sub-Subsidiaries |
| SHINIH FIBER PRODUCTS (DONG GUAN) CO., LTD. (SHINIH DONG GUAN) | Sub-Subsidiaries |
| HANGZHOU SHINIH FIBER PRODUCTS CO., LTD. | Sub-Subsidiaries |
| SHINIH FIBER PRODUCTS (TANGSHAN) CO., LTD. | Sub-Subsidiaries |
| TAIXIN FIBER PRODUCTS (SUZHOU) CO., LTD. (TAIXIN SUZHOU) | Sub-Subsidiaries |
| TANGSHAN TAIXIN FIBER PRODUCTS CO., LTD. | Sub-Subsidiaries |
| QINGDAO TAIXIN FIBER PRODUCTS CO., LTD. | Sub-Subsidiaries |
| HUBEI TAIXIN FIBER PRODUCTS CO., LTD. | Sub-Subsidiaries |
| SHINIH(COMBODIA)CO.,LTD. (SHINIHCOMBODIA) | Sub-Subsidiaries |
| KUNSHAN SHINIH TRADING CO., LTD. (KUNSHAN SHINIH) | Sub-Subsidiaries |
| PT. SHINIH NONWOVENS INDONESIA (SHINIH INDONESIA) | Sub-Subsidiaries |
| AMERICAN OUTDOOR LIVING INC. (AOLI) | Sub-Subsidiaries |

| Names of related parties | Relationship with the Company |
|---|-------------------------------|
| WORLD FURNITURE GROUP (WFG) | Sub-Subsidiaries |
| AMERICAN FURNITURE ALLIANCE INC. (AFA) | Sub-Subsidiaries |
| MS NONWOVEN INC. (MSNI) | Sub-Subsidiaries |
| AMERICAN NONWOVEN INC. (ANI) | Sub-Subsidiaries |
| Jianbao Health Product Technical Co., Ltd (Jianbao Health) | Substantive related party |
| CHIEN JUNG TSAI | Other related parties |

B. Significant transactions between related parties

(a) Revenue

| Related Party | 2022 | 2021 |
|---------------------------|-----------------|------------------|
| Subsidiaries | \$ 2,110 | \$ 8,808 |
| Sub-Subsidiaries | 6,660 | 8,586 |
| Substantive related party | 1,072 | - |
| Total | <u>\$ 9,842</u> | <u>\$ 17,394</u> |

Sales prices between related parties were determined and negotiated referring to the relevant market prices. The payment term was T/T 90 days.

(b) Rent revenue

| Categories/Names of related parties | 2022 | 2021 |
|-------------------------------------|-----------------|------------------|
| Subsidiaries - TAIWAN KUREHA | \$ 5,680 | \$ 10,681 |
| Other related parties | 1,714 | 1,286 |
| Total | <u>\$ 7,394</u> | <u>\$ 11,967</u> |

The abovementioned rental plants are calculated and charged monthly based on the local rental market.

(c) Others income

| Categories/Names of related parties | 2022 | 2021 |
|-------------------------------------|-----------|-----------|
| Subsidiaries-SHINI H VIETNAM | \$ 16,004 | \$ 11,889 |
| Sub-Subsidiaries-PT SHINI H | 3,472 | 2,728 |
| Subsidiaries-AOLI | 3,658 | 77 |

| Categories/Names of related parties | 2022 | 2021 |
|-------------------------------------|-----------|-----------|
| Substantive related party | \$ 14 | \$ 70 |
| Total | \$ 23,148 | \$ 14,764 |

Other income mainly consists of the remuneration received by the Company for providing supply chain services and selling equipment or raw materials.

(d) Commission

| Categories/Names of related parties | 2022 | 2021 |
|-------------------------------------|----------|----------|
| Subsidiaries-SHINIH VIETNAM | \$ 4,125 | \$ 5,584 |
| Subsidiaries | 433 | 979 |
| Sub-Subsidiaries-SHINIH SUZHOU | 1,844 | 1,272 |
| Sub-Subsidiaries | 833 | 1,052 |
| Total | \$ 7,235 | \$ 8,887 |

(e) Purchases

| Categories/Names of related parties | 2022 | 2021 |
|-------------------------------------|-----------|-----------|
| Subsidiaries | \$ 1,122 | \$ 9,927 |
| Sub-Subsidiaries | 1,747 | 3,298 |
| Substantive related party | 10,922 | - |
| Total | \$ 13,791 | \$ 13,225 |

Purchases prices between related parties was determined and negotiated referring to the relevant market prices. The payment term was T/T 60~90 days.

(f) Lease agreements

(1) Lease liabilities

Lease liabilities – current

| Categories/Names of related parties | December 31, 2022 | December 31, 2021 |
|-------------------------------------|-------------------|-------------------|
| Other related parties | \$ 570 | \$ 563 |
| Total | \$ 570 | \$ 563 |

Lease liabilities – noncurrent

| Categories/Names of related parties | December 31, 2022 | December 31, 2021 |
|-------------------------------------|-------------------|-------------------|
| Other related parties | \$ 8,884 | \$ 9,455 |
| Total | \$ 8,884 | \$ 9,455 |

(2) Interest expense

| Categories/Names of related parties | 2022 | 2021 |
|-------------------------------------|--------|--------|
| Other related parties | \$ 137 | \$ 145 |
| Total | \$ 137 | \$ 145 |

The Company leases real estate from related parties for use as employees' dormitories. The rent is calculated and charged monthly based on the local rental market.

(g) Accounts receivable

| Categories/Names of related parties | December 31, 2022 | December 31, 2021 |
|-------------------------------------|-------------------|-------------------|
| Subsidiaries-TAIWAN KUREHA | \$ 1,470 | \$ 7,763 |
| Sub-Subsidiaries | - | 1,794 |
| Substantive related party | 619 | 120 |
| Total | \$ 2,089 | \$ 9,677 |

(h) Other receivables

| Categories/Names of related parties | December 31, 2022 | December 31, 2021 |
|-------------------------------------|-------------------|-------------------|
| Subsidiaries-SHINIH VIETNAM | \$ 18,580 | \$ 13,548 |
| Subsidiaries- DONG GUAN TAIXIN | - | 3,944 |
| Subsidiaries | 873 | 1,186 |
| Sub-Subsidiaries-SHINIH SUZHOU | 2,109 | 4,277 |
| Sub-Subsidiaries-KUNSHAN SHINIH | - | 4,922 |
| Sub-Subsidiaries | 5,363 | 4,552 |
| Substantive related party | 174 | 615 |
| Total | \$ 27,099 | \$ 33,044 |

The other receivables mainly represents the Company purchases the raw materials and equipment and dividends receivables for subsidiaries and sub-subsidiaries.

(i) Accounts payable

| Categories/Names of related parties | December 31, 2022 | December 31, 2021 |
|--|-------------------|-------------------|
| Subsidiaries | \$ 18 | \$ 169 |
| Sub-Subsidiaries-SHINIH SUZHOU | 975 | - |
| Sub-Subsidiaries | - | 507 |
| Substantive related party-Jianbao Health Product | 5,162 | 4,662 |
| Total | \$ 6,155 | \$ 5,338 |

(j) Other payables

| Categories/Names of related parties | December 31, 2022 | December 31, 2021 |
|-------------------------------------|-------------------|-------------------|
| Subsidiaries-USA HOLDING | \$ 1,616 | \$ 1,136 |
| Subsidiaries- TAIWAN KUREHA | 789 | 1,133 |
| Subsidiaries | - | 62 |
| Sub-Subsidiaries-TAIXIN SUZHOU | 3,560 | - |
| Substantive related party | 60 | 107 |
| Total | \$ 6,025 | \$ 2,438 |

The other payables mainly represents the subsidiaries and sub-subsidiaries purchase the equipment for the Company.

(k) Equipment purchases

| Categories/Names of related parties | December 31, 2022 | December 31, 2021 |
|-------------------------------------|-------------------|-------------------|
| Subsidiaries | \$ 20,922 | \$ 1,495 |
| Sub-Subsidiaries | 3,561 | - |
| Total | \$ 24,483 | \$ 1,495 |

C. Endorsement and Guarantees

| Party being guaranteed | Matter being guaranteed | December 31, 2022 | December 31, 2021 |
|------------------------|-------------------------|-------------------|-------------------|
| Subsidiaries-HOLDING | Banking facilities | \$ 675,620 | \$ 747,360 |
| Subsidiaries-VFT | Banking facilities | 92,130 | 83,040 |
| Sub-Subsidiaries-AOLI | Banking facilities | 92,130 | 83,040 |

| Party being guaranteed | Matter being guaranteed | December 31, 2022 | December 31, 2021 |
|--------------------------------|-------------------------|-------------------|-------------------|
| Subsidiaries- TAIWAN KUREHA | Banking facilities | \$ 135,355 | \$ 113,840 |
| Total | | \$ 995,235 | \$ 1,027,280 |

D. Compensation of key management personnel

| Items | 2022 | 2021 |
|---|-----------|-----------|
| Salaries and other short-term employee benefits | \$ 21,541 | \$ 22,273 |
| Post-employment benefits | 612 | 531 |
| Total | \$ 22,153 | \$ 22,804 |

8. PLEDGED ASSETS

The following assets have already provided various performance guarantees and collateral for long-term and short-term loans:

| Items | December 31, 2022 | December 31, 2021 |
|------------------------------------|-------------------|-------------------|
| Property, plant and equipment, net | \$ 537,499 | \$ 543,543 |
| Investment property, net | 244,810 | 247,312 |
| Total | \$ 782,309 | \$ 790,855 |

9. SIGNIFICANT CONTINGENCY LIABILITIES AND UNRECOGNIZED COMMITMENTS:

A. The letters of credit opened with the banks but not yet used are as follows:

| Items | December 31, 2022 | December 31, 2021 |
|-------------------|-------------------|-------------------|
| Letters of credit | \$ 9,486 | \$ 3,244 |

B. Material capital expenditures contracted but not yet incurred are as follows:

| Items | December 31, 2021 | December 31, 2020 |
|--------------------------------|-------------------|-------------------|
| Property, plant, and equipment | \$ 11,918 | \$ 16,687 |

C. Contingency: NONE.

10. SIGNIFICANT DISASTERS: NONE.

11. SIGNIFICANT SUBSEQUENT EVENTS: NONE.

12. OTHERS:

12.1 Capital risk management

The Company requires an adequate capital structure to enable the expansion and enhancement of its plant and equipment. Therefore, the Company manages its capital in a manner to ensure that it has sufficient and necessary financial resources and operating plan to fund its working capital needs, capital asset purchases, development expenditure, and debt service requirements and other business requirements associated with its existing operations over the next 12 months.

12.2 Financial risks on financial instruments

A. Financial risk management policies

The Company's activities expose it to a variety of financial risks. These financial risks included market risk (including foreign currency exchange risk, interest rate risk and price risk), credit risk and liquidity risk. The Company's overall risk management strategy focuses on the unpredictability of financial markets and seeks to mitigate potential adverse effects on its financial performance.

The Company's material financial activities are approved by the Board of Directors (and Audit Committee) in accordance with relevant requirements and internal control mechanism, which requires the Company to comply with its financial operating policies and procedures that provide guiding principles for the overall financial risk management and accountability and separation of duties.

B. Significant financial risks and degrees of financial risks

(a) Market risk

i. Foreign exchange risk

- (i) The Company's sales, purchase and borrowing activities denominated in foreign currencies are exposed to foreign currency risk. The Company's functional currency is New Taiwan dollars. The main foreign currencies of those thousand transactions are US dollars, CNY and THB, etc. To protect against reductions in value and the volatility of future cash flows results from changes in foreign exchange rates, the Company might hedges its foreign exchange risk exposure by using foreign currency loans and derivatives, such as forward exchange agreements. The usage of derivative financial instruments can assist the Company to reduce but not completely eliminate the influence of changes in foreign exchange rates.

(ii) Foreign currency risk and sensitivity analysis

| | | | | | December 31, 2022 | | | |
|--|----|--------|--------|----|---------------------|------------------|-----------------------|--|
| | | | | | Foreign Currency | Exchange Rate | New Taiwan Dollars | |
| <u>Financial Assets</u> | | | | | | | | |
| Monetary Items | | | | | | | | |
| USD | \$ | 14,098 | 30.71 | \$ | 432,962 | | | |
| CNY | | 762 | 4.4094 | | 3,361 | | | |
| <u>Investments accounted for using equity method</u> | | | | | | | | |
| USD | | 86,697 | 30.71 | | 2,662,467 | | | |
| THB | | 87,473 | 0.8941 | | 78,210 | | | |
| CNY | | 16,725 | 4.4094 | | 73,749 | | | |
| <u>Financial Liabilities</u> | | | | | | | | |
| Monetary Items | | | | | | | | |
| USD | | 234 | 30.71 | | 7,164 | | | |
| CNY | | 623 | 4.4094 | | 2,745 | | | |

| | | | | | December 31, 2021 | | | |
|--|----|--------|--------|----|---------------------|------------------|-----------------------|--|
| | | | | | Foreign Currency | Exchange Rate | New Taiwan Dollars | |
| <u>Financial Assets</u> | | | | | | | | |
| Monetary Items | | | | | | | | |
| USD | \$ | 11,555 | 27.68 | \$ | 319,832 | | | |
| CNY | | 4,054 | 4.3415 | | 17,602 | | | |
| <u>Investments accounted for using equity method</u> | | | | | | | | |
| USD | | 83,943 | 27.68 | | 2,323,538 | | | |
| THB | | 81,705 | 0.8347 | | 68,199 | | | |
| CNY | | 25,277 | 4.3415 | | 109,738 | | | |
| <u>Financial Liabilities</u> | | | | | | | | |
| Monetary Items | | | | | | | | |
| USD | | 220 | 27.68 | | 6,098 | | | |
| CNY | | 75 | 4.3415 | | 326 | | | |

The Company is mainly exposed to US dollar and CNY. The sensitivity analysis rate for the Company is 1% increase and decrease in NTD against the relevant

foreign currencies 1% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 1% change in foreign currency rates. An increase/ decrease in profit before tax would be resulted where the NTD strengthens/ weakens 1% against the relevant currencies with all other variables held constant in the amounts of \$4,264 thousand and \$3,310 thousand for the years ended December 31, 2022 and 2021, respectively.

ii. Price risk

The Company does not hold the financial assets in the form of equity securities measured at fair value through profit or loss and has no other price risk items.

iii. Interest rate risk

The carrying amounts of interest - bearing financial instruments held by the Company as of the reporting date are as follows:

| Items | Carrying Amounts | |
|-------------------------------|-----------------------|-----------------------|
| | December 31, 2022 | December 31, 2021 |
| Fair value interest rate risk | | |
| Financial assets | \$ 343,952 | \$ 212,337 |
| Financial liabilities | (250,000) | - |
| Net | <u>\$ 93,952</u> | <u>\$ 212,337</u> |
| Cash flow interest rate risk | | |
| Financial assets | \$ 109,632 | \$ 91,934 |
| Financial liabilities | (1,340,687) | (1,301,377) |
| Net | <u>\$ (1,231,055)</u> | <u>\$ (1,209,443)</u> |

Sensitivity analysis for instruments with fair value interest rate risk

The Company does not classify any fixed-rate instruments as financial assets measured at fair value through profit and loss. In addition, the Company does not designate derivatives as hedge instruments under the fair value hedge accounting model. Therefore, the change in interest rate on the reporting date has no effect on profit or loss and other comprehensive income.

Sensitivity analysis for instruments with cash flow interest rate risk

The effective interest rates for the Company's floating interest rate financial instruments are susceptible to the market interest rate. If the market interest rate increases (decreases) 0.25%, the profit before tax will increase (decrease) \$3,078

thousand and \$3,024 thousand for the years ended December 31, 2022 and 2021, respectively.

(b) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company is exposed to credit risk from operation activities, primarily trade receivable, and from investing activities, primarily bank deposits and other financial instruments. Credit risk is managed separately for business related and financial related exposures.

Business - related credit risk

In order to maintain the credit quality of the trade receivables, the Company has established procedures to monitor and limit exposure to credit risk on trade receivables. Credit evaluation is performed taking into account relevant factors that may affect a customer's paying ability, such as the customer's financial condition and historical transaction records, internal and external credit rating and economic conditions.

Financial credit risk

The Company's exposure to financial credit risk which pertaining to bank deposits and other financial instruments was evaluated and monitored by the Company's treasury function. The Company only transacts with creditworthy counterparties and banks; therefore, no significant financial credit risk was identified.

i. Credit concentration risk

The credit concentration risk of accounts receivable is relatively immaterial because the Company has not concentrated on the minority as target customers.

ii. Measurement of expected credit loss

(i) Accounts receivable: The Company applies simplified approach to its accounts receivable. Please refer to Note 6.3 for more information.

(ii) The criteria used to determine whether credit risk has increased significantly: The Company considered credit factors and reviewed relevant information associated with debtors to assess whether credit risks on financial instruments have increased significantly since initial recognition.

iii. Holding collateral and other credit enhancement to hedge against credit risk of financial assets: None.

iv. Credit risk of financial assets measured at amortized cost:

Please refer to Note 6.3 for information on the Company's credit exposures associated with accounts receivable. Other financial instruments amortized at cost, such as cash and cash equivalents and other receivables, have low credit loss. Therefore, the loss allowance is assessed based on the 12-month expected credit loss. After the assessment, the Company determines that no material impairment occurred.

(c) Liquidity risk

i. Liquidity risk management

The objective of the Company's management of liquidity risk is to maintain sufficient cash and cash equivalents, highly liquid securities, and banking facilities to ensure that the Company has sufficient financial flexibility for its operations.

For the years ended December 31, 2022 and 2021, the Company's unused financing facilities were \$1,151,900 thousand and \$1,371,300 thousand, respectively.

ii. Maturity analysis for financial liabilities

The following table details the Company's remaining contractual maturity for its non-derivative financial liabilities:

| Non-derivative financial liabilities | December 31, 2022 | | | | |
|--------------------------------------|-------------------|------------|--------------|---------------------|------------------|
| | Within 1 year | 1-5 years | Over 5 years | Contract cash flows | Carrying amounts |
| Short-term loans | \$ 453,059 | \$ - | \$ - | \$ 453,059 | \$ 450,687 |
| Notes payable | 11,844 | - | - | 11,844 | 11,844 |
| Accounts payable | 14,452 | - | - | 14,452 | 14,452 |
| Other payables | 87,067 | - | - | 87,067 | 87,067 |
| Lease liabilities | 700 | 2,800 | 7,000 | 10,500 | 9,454 |
| Long-term loans | 185,351 | 988,079 | - | 1,173,430 | 1,140,000 |
| Guarantee deposits received | - | 4,954 | - | 4,954 | 4,954 |
| Total | \$ 752,473 | \$ 995,833 | \$ 7,000 | \$ 1,755,306 | \$ 1,718,458 |

| Non-derivative financial liabilities | December 31, 2021 | | | | |
|--------------------------------------|-------------------|------------|--------------|---------------------|------------------|
| | Within 1 year | 1-5 years | Over 5 years | Contract cash flows | Carrying amounts |
| Short-term loans | \$ 262,687 | \$ - | \$ - | \$ 262,687 | \$ 261,377 |
| Notes payable | 29,928 | - | - | 29,928 | 29,928 |
| Accounts payable | 17,551 | - | - | 17,551 | 17,551 |
| Other payables | 89,051 | - | - | 89,051 | 89,051 |
| Lease liabilities | 700 | 2,800 | 7,700 | 11,200 | 10,018 |
| Long-term loans | 144,883 | 920,830 | - | 1,065,713 | 1,040,000 |
| Guarantee deposits received | - | 4,940 | - | 4,940 | 4,940 |
| Total | \$ 544,800 | \$ 928,570 | \$ 7,700 | \$ 1,481,070 | \$ 1,452,865 |

The Company does not expect the timing of occurrence of the cash flows estimated through the maturity date analysis will be significantly earlier, nor expect the actual cash flow amount will be significantly different.

12.3 Categories of financial instruments

| Items | December 31, 2022 | December 31, 2021 |
|---|-------------------|-------------------|
| <u>Financial assets</u> | | |
| Financial assets at amortized costs (Note1) | \$ 530,077 | \$ 414,922 |
| <u>Financial liabilities</u> | | |
| Financial liabilities at amortized cost (Note 2) | \$ 1,709,004 | \$ 1,442,847 |

Note 1: The balances included financial assets measured at amortized cost, which comprise cash and cash equivalents, notes receivable, accounts receivable, other receivables, other financial assets and refundable deposits.

Note 2: The balances included financial liabilities measured at amortized cost, which comprise short-term loans, notes payable, accounts payable, other payables, long-term loans and guarantee deposits received.

12.4 Fair value information of financial instruments

A. Definition of fair value measurements are grouped into Level 1 to 3 as follows:

Level 1: Relevant inputs are quoted prices in active markets for identical assets or liabilities that the entity can access on the measurement date.

Level 2: Inputs other than quoted prices included within Level 1 are observable for the asset or liability, either directly or indirectly.

Level 3: Inputs are unobservable inputs that used to measure fair value to the extent when relevant observable inputs are not available.

B. Financial instruments that are not measured at fair value

The fair value of the Company's financial instruments not measured at fair value including cash and cash equivalents, accounts receivable, other financial assets, refundable deposits, short-term loans, accounts payables, long-term loans and deposits received approximate their fair value.

C. Fair value of financial instruments that are measured at fair value: NONE.

D. The methods and assumptions the Company used to measure fair value are as follows:

(a) The Company measures the fair values of its financial instruments with an active market using their quoted prices in the active market.

(b) The valuation of derivative financial instruments is based on valuation model widely accepted by market participants, such as present value techniques and option pricing models.

(c) Fair value of other financial assets and financial liabilities (except for aforementioned) are determined in accordance with generally accepted pricing model based on the discounted cash flow analysis.

- E. Transfer between Level 1 and Level 2 of the fair value hierarchy: None.
- F. Changes in level 3 instruments: None.

13. SUPPLEMENTARY DISCLOSURES

13.1 Significant transactions information

- A. Financings provided to others: Please see Table 1 attached.
- B. Endorsement and guarantee provided to others: Please see Table 2 attached.
- C. Marketable securities held (excluding investments in subsidiaries, associates and joint ventures at the end of the period) : None.
- D. Marketable securities acquired and disposed of at costs or prices of at least \$300 million or 20% of the paid-in capital: None.
- E. Acquisition of individual real estate properties at costs of at least \$300 million or 20% of the paid-in capital: None.
- F. Disposal of individual real estate properties at prices of at least \$300 million or 20% of the paid-in capital: Please see Table 3 attached.
- G. Total purchases from or sales to related parties of at least \$100 million or 20% of the paid-in capital: Please see Table 4 attached.
- H. Receivables from related parties amounting to at least \$100 million or 20% of the paid-in capital: Please see Table 5 attached.
- I. Information on the derivative instrument transactions: None.
- J. The business relationship between the parent and the subsidiaries and significant transaction between them: Please see Table 6 attached.

13.2 Information on investees (before inter-company eliminations): Please see Table 7 attached.

13.3 Information on investment in Mainland China

- (1) The name of the investee in Mainland China, the main businesses and products, its issued capital, method of investment, information on inflow or outflow of capital, percentage of ownership, income (losses) of the investee, ending balance, amount received as dividends from the investee, and the limitation on investee: Please see Table 8 attached.
- (2) Significant direct or indirect transactions with the investee, its prices and terms of payment, unrealized gain or loss, and other related information which is helpful to understand the impact of investment in Mainland China on financial reports: Please see Table 6 attached.

13.4 Information of major shareholder (Names, number of shares and ownership of shareholders whose equity interest is greater than 5%): Please see Table 9 attached.

14. SEGMENT INFORMATION

The Company's management has identified the reportable segment under the reporting information used for making decisions adopted by the chief operating decision maker. The Company has provided the chief operating decision maker the information on resource

allocation and assessment of segment performance, focusing on the financial information by geographic plants. The company has provided the segment information disclosure in the consolidated financial statements for the year ended December 31, 2022.

SHINIH ENTERPRISE CO., LTD.
FINANCING PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2022

TABLE 1 Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise

| No. | Financing Company | Counterparty | Financial Statement Account | Related Party | Maximum Balance for the Period | Ending Balance | Amount Actually Drawn (Note 5) | Interest Rate | Nature for Financing (Note 2) | Transaction Amounts | Reason for Financing | Allowance for Bad Debt | Collateral | | Financing Limits for Each Borrowing Company (Note 3) | Financing Company's Total Financing Amount Limits (Note 4) |
|--------------------------------|--|--|-----------------------------|------------------------|--------------------------------|------------------------|--------------------------------|---------------|-------------------------------|---------------------|----------------------|------------------------|------------|-------|--|--|
| | | | | | | | | | | | | | Item | Value | | |
| 1 | SHINIH HOLDING CO., LTD. | SHINIH FIBER PRODUCTS (TANGSHAN) CO., LTD. | Other receivables | Yes | NTD 11,024 (CNY 2,500) | NTD 11,024 (CNY 2,500) | NTD 11,024 (CNY 2,500) | 2.5% | 2 | - | Operating capital | - | - | - | NTD 2,060,682 (USD 67,101) | NTD 4,121,364 (USD 134,203) |
| | | TANGSHAN TAIXIN FIBER PRODUCTS CO., LTD. | Other receivables | Yes | NTD 33,071 (CNY 7,500) | NTD 33,071 (CNY 7,500) | NTD 33,071 (CNY 7,500) | 2.5% | 2 | - | Operating capital | - | - | - | | |
| | | HUBEI TAIXIN FIBER PRODUCTS CO., LTD. | Other receivables | Yes | NTD 15,355 (USD 500) | NTD 15,355 (USD 500) | NTD 15,355 (USD 500) | 2.5% | 2 | - | Operating capital | - | - | - | | |
| | | | Other receivables | Yes | NTD 46,065 (USD 1,500) | NTD 46,065 (USD 1,500) | NTD 46,065 (USD 1,500) | 3.5% | 2 | - | Operating capital | - | - | - | | |
| | | SHINIH (CAMBODIA) CO., LTD. | Other receivables | Yes | NTD 94,008 (USD 3,061) | NTD 1,878 (USD 61) | NTD 1,878 (USD 61) | - | 2 | - | Operating capital | - | - | - | | |
| | | SHINIH VIETNAM COMPANY LTD. | Other receivables | Yes | NTD 61,420 (USD 2,000) | NTD 61,420 (USD 2,000) | NTD 61,420 (USD 2,000) | 2.5% | 2 | - | Operating capital | - | - | - | | |
| | | | Other receivables | Yes | NTD 61,420 (USD 2,000) | NTD 61,420 (USD 2,000) | NTD 61,420 (USD 2,000) | 5% | 2 | - | Operating capital | - | - | - | | |
| | | AMERICAN FURNITURE ALLIANCE INC. | Other receivables | Yes | NTD 30,710 (USD 1,000) | NTD 30,710 (USD 1,000) | NTD 30,710 (USD 1,000) | 3% | 2 | - | Operating capital | - | - | - | NTD 618,205 (USD 20,130) | NTD 824,273 (USD 26,841) |
| PT. SHINIH NONWOVENS INDONESIA | Other receivables | Yes | NTD 30,710 (USD 1,000) | NTD 30,710 (USD 1,000) | NTD 30,710 (USD 1,000) | 3% | 2 | - | Operating capital | - | - | - | | | | |
| 2 | SUNBURST INTERNATIONAL LTD. | SHINIH (CAMBODIA) CO., LTD. | Other receivables | Yes | NTD 9,922 (USD 323) | NTD 9,922 (USD 323) | NTD 9,922 (USD 323) | - | 1 | NTD 9,922 (USD 323) | Operating capital | | | | NTD 23,053 | NTD 46,106 |
| 3 | SHINIH FIBER PRODUCTS (SUZHOU) CO., LTD. | HUBEI TAIXIN FIBER PRODUCTS CO., LTD. | Other receivables | Yes | NTD 17,638 (CNY 4,000) | NTD 17,638 (CNY 4,000) | NTD 17,638 (CNY 4,000) | 3% | 2 | - | Operating capital | - | - | - | NTD 302,471 (CNY 68,597) | NTD 604,942 (CNY 137,194) |
| | | KUNSHAN SHINIH TRADING CO., LTD. | Other receivables | Yes | NTD 8,819 (CNY 2,000) | NTD 8,819 (CNY 2,000) | NTD 8,819 (CNY 2,000) | 3% | 2 | - | Operating capital | - | - | - | | |

(Continued)

SHINIH ENTERPRISE CO., LTD.
FINANCINGS PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2022

TABLE 1

Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise

| No. | Financing Company | Counterparty | Financial Statement Account | Related Party | Maximum Balance for the period | Ending Balance | Amount Actually Drawn (Note 5) | Interest Rate | Nature for Financing (Note 2) | Transaction Amounts | Reason for Financing | Allowance for Bad Debt | Collateral | | Financing Limits for Each Borrowing Company (Note 3) | Financing Company's Total Financing Amount Limits (Note 4) |
|-----|---|---|-----------------------------|---------------|--------------------------------|------------------------|--------------------------------|---------------|-------------------------------|---------------------|----------------------|------------------------|------------|-------|--|--|
| | | | | | | | | | | | | | Item | Value | | |
| 3 | SHINIH FIBER PRODUCTS (SUZHOU) CO., LTD. | QINGDAO TAIXIN FIBER PRODUCTS CO., LTD. | Other receivables | Yes | NTD 35,716 (CNY 8,100) | NTD 35,716 (CNY 8,100) | NTD 26,897 (CNY 6,100) | 3% | 2 | - | Operating capital | - | - | - | NTD 302,471 (CNY 68,597) | NTD 604,942 (CNY 137,194) |
| 4 | AMERICAN NONWOVEN INC. | VFT INC. | Other receivables | Yes | NTD 76,775 (USD 2,500) | NTD 76,775 (USD 2,500) | NTD 53,787 (USD 1,751) | 1% | 2 | - | Operating capital | - | - | - | NTD 290,661 (USD 9,465) | NTD 581,322 (USD 18,929) |
| | | AMERICAN FURNITURE ALLIANCE INC. | Other receivables | Yes | NTD 55,278 (USD 800) | NTD 55,278 (USD 1,800) | NTD 49,136 (USD 1,600) | 3% | 2 | - | Operating capital | - | - | - | NTD 87,198 (USD 2,839) | NTD 116,264 (USD 3,786) |
| 5 | AMERICAN OUTDOOR LIVING INC. | SHINIH USA INC. | Other receivables | Yes | NTD 24,568 (USD 670) | NTD 15,354 (USD 500) | NTD 10,747 (USD 350) | 3.5% | 2 | - | Operating capital | - | - | - | NTD 125,955 (USD 4,101) | NTD 251,909 (USD 8,203) |
| | | WORLD FURNITURE GROUP | Other receivables | Yes | NTD 3,071 (USD 100) | NTD 3,071 (USD 100) | NTD 3,071 (USD 100) | 4% | 2 | - | Operating capital | - | - | - | | |
| 6 | MS NONWOVEN INC. | VFT INC | Other receivables | Yes | NTD 19,962 (USD 650) | NTD 19,962 (USD 650) | NTD 19,962 (USD 650) | 3.5% | 2 | - | Operating capital | - | - | - | NTD 35,672 (USD 1,162) | NTD 71,345 (USD 2,323) |
| 7 | SHINIH FIBER PRODUCTS (DONG GUAN) CO., LTD. | DONG GUAN TAIXIN FIBER PRODUCTS CO., LTD. | Other receivables | Yes | NTD 37,480 (CNY 8,500) | NTD 37,480 (CNY 8,500) | NTD 37,480 (CNY 8,500) | 3% | 2 | - | Operating capital | - | - | - | NTD 57,300 (CNY 12,995) | NTD 114,600 (CNY 25,990) |
| 8 | SHINIH FIBER PRODUCTS (TANGSHAN) CO., LTD. | DONG GUAN TAIXIN FIBER PRODUCTS CO., LTD. | Other receivables | Yes | NTD 28,661 (CNY 6,500) | NTD 28,661 (CNY 6,500) | NTD 28,661 (CNY 6,500) | 3% | 2 | - | Operating capital | - | - | - | NTD 64,167 (CNY 14,552) | NTD 128,334 (CNY 29,105) |
| | | HUBEI TAIXIN FIBER PRODUCTS CO., LTD. | Other receivables | Yes | NTD 4,409 (CNY 1,000) | NTD 4,409 (CNY 1,000) | NTD 4,409 (CNY 1,000) | 3% | 2 | - | Operating capital | - | - | - | | |
| 9 | TAIXIN FIBER PRODUCTS (SUZHOU) CO., LTD. | DONG GUAN TAIXIN FIBER PRODUCTS CO., LTD. | Other receivables | Yes | NTD 11,024 (CNY 2,500) | NTD 11,024 (CNY 2,500) | NTD 11,024 (CNY 2,500) | 3% | 2 | - | Operating capital | - | - | - | NTD 411,564 (CNY 93,338) | NTD 823,128 (CNY 186,676) |
| | | HUBEI TAIXIN FIBER PRODUCTS CO., LTD. | Other receivables | Yes | NTD 11,024 (CNY 2,500) | NTD 11,024 (CNY 2,500) | NTD 11,024 (CNY 2,500) | 3% | 2 | - | Operating capital | - | - | - | | |

(Continued)

SHINIH ENTERPRISE CO., LTD.
FINANCINGS PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2022

TABLE 1

Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise

| No. | Financing Company | Counterparty | Financial Statement Account | Related Party | Maximum Balance for the period | Ending Balance | Amount Actually Drawn (Note 5) | Interest Rate | Nature for Financing (Note 2) | Transaction Amounts | Reason for Financing | Allowance for Bad Debt | Collateral | | Financing Limits for Each Borrowing Company (Note 3) | Financing Company's Total Financing Amount Limits (Note 4) |
|-----|--|---|-----------------------------|---------------|--------------------------------|-----------------------------|--------------------------------|---------------|-------------------------------|---------------------|----------------------|------------------------|------------|-------|--|--|
| | | | | | | | | | | | | | Item | Value | | |
| 10 | TANGSHAN TAIXIN FIBER PRODUCTS CO., LTD. | DONG GUAN TAIXIN FIBER PRODUCTS CO., LTD. | Other receivables | Yes | NTD 37,480 (CNY 8,500) | NTD 37,480 (CNY 8,500) | NTD 37,480 (CNY 8,500) | 3% | 2 | - | Operating capital | - | - | - | NTD 74,317 (CNY 16,854) | NTD 148,633 (CNY 33,708) |
| 11 | HANGZHOU SHINIH FIBER PRODUCTS CO., LTD. | DONG GUAN TAIXIN FIBER PRODUCTS CO., LTD. | Other receivables | Yes | NTD 180,785 (CNY 41,000) | NTD 180,785 (CNY 41,000) | NTD 180,785 (CNY 41,000) | 3% | 2 | - | Operating capital | - | - | - | NTD 223,861 (CNY 50,769) | NTD 447,721 (CNY 101,538) |

Note 1 : The numbers filled in for the financing company represent the following :

- (1) The Company is '0'.
- (2) The subsidiaries are numbered in order starting from '1'.

Note 2 : Nature for Financing as follows :

- (1) Business transactions.
- (2) The need for short-term financing.

Note 3 : The financing limits for each foreign companies directly and indirectly held by the Company is 100% of the net value of the lending company, and the rest is 30% of the net value of the lending company.

Note 4 : The total financing limits for foreign companies directly and indirectly held by the Company is 200% of the net value of the lending company, and the rest is 40% of the net value of the lending company.

Note 5 : All the transactions had been eliminated when preparing consolidated financial statements.

SHINIH ENTERPRISE CO., LTD.
 ENDORSEMENTS / GUARANTEES PROVIDED
 FOR THE YEAR ENDED DECEMBER 31, 2022

TABLE 2

Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise

| NO. | Endorsement/ Guarantee Provider | Guaranteed Party | | Limits on Endorsement/ Guarantee Amount Provided to Each Guaranteed Party | Maximum Balance for the Period | Ending Balance | Amount Actually Drawn | Amount of Endorsement/ Guarantee Collateralized by Properties | Ratio of Accumulated Endorsement/ Guarantee to Net Equity per Latest Financial Statements | Maximum Endorsement/ Guarantee Amount Allowable | Guarantee Provided by Parent Company | Guarantee Provided by A Subsidiary | Guarantee Provided to Subsidiaries in Mainland China |
|-----|---------------------------------------|------------------------------------|---------------------------|--|--|--|-----------------------------|---|---|---|---|---|--|
| | | Name | Nature of Relationship | | | | | | | | | | |
| ○ | The Company | VFT INC. | 2 | NTD 1,705,888 | NTD 184,260 (USD 6,000) | NTD 92,130 (USD 3,000) | - | - | | | | | |
| ○ | The Company | SHINIH HOLDING CO., LTD. | 2 | | NTD 829,170 (USD 27,000) | NTD 675,620 (USD 22,000) | - | - | | | | | |
| ○ | The Company | AMERICAN OUTDOOR LIVING INC. | 3 | | NTD 184,260 (USD 6,000) | NTD 92,130 (USD 3,000) | - | - | 28.55% | NTD 3,411,775 | Y | N | N |
| ○ | The Company | TAIWAN KUREHA CO., LTD. | 2 | | NTD 170,000 NTD 30,710 (USD 1,000) | NTD 120,000 NTD 15,355 (USD 500) | NTD 30,000 - | - | | | | | |

Note 1 : The Company is '○'.

Note 2 : '2' The subsidiary invested directly by the Company.

'3' The sub-subsidiary invested directly by the Company.

Note 3 : The limits on endorsement to a single enterprise : 50% of equity attributable to shareholders of the parent.

Note 4 : The maximum limit for endorsement/guarantee : 100% of equity attributable to shareholders of the parent.

Note 5 : The balance and amount referred to in the table above, except for the amount actually drawn, refers to the endorsement/guarantee limit or amount for others that occurred on the date of occurrence (the date of the Board resolution, the date of signing the transaction, the date of payment or any other date sufficient to determine the transaction party and the transaction amount, whichever is earlier).

SHINIH ENTERPRISE CO., LTD.
ACQUISITION OF INDIVIDUAL REAL ESTATE PROPERTIES AT COSTS OF AT LEAST NT\$300 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2022

TABLE 3

Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise

| Disposed of by | Types of Property | Date of Occurrence | Date of Acquisition | Carrying Amount | Transaction Amount (Note 2) | Status of Collection | Gain (loss) on Disposal | Counterparty | Relationship | Purpose of Disposal | Basis or Reference Used in Setting the Price | Other Commitments |
|--|--|--------------------|---------------------|-----------------|-----------------------------|----------------------|-------------------------|--|--------------|--|--|-------------------|
| TAIXIN FIBER PRODUCTS (SUZHOU) CO., LTD. | Property, plant, and right-of-use assets | November 9, 2022 | Note 1 | CNY 3,135 | CNY 87,423 | Note 2 | Note 2 | Loudong Subdistrict Office of Taicang Municipal People's | NIL | To cooperate with the local government's urban planning division | Note 3 | Note 2 |
| SHINIH FIBER PRODUCTS (SUZHOU) CO., LTD. | Property, plant, and right-of-use assets | November 24, 2022 | Note 4 | Note 5 | CNY 78,414 | Note 5 | Note 5 | Loudong Subdistrict Office of Taicang Municipal People's | NIL | To cooperate with the local government's urban planning division | Note 3 | Note 5 |

Note 1 : TAIXIN FIBER PRODUCTS (SUZHOU) CO., LTD. obtained the land use rights and build factories in succession in 2000.

Note 2 : Transaction amount included the compensations for collecting the immovable items such as the land use rights, buildings, and equipment, and cessation of production and business, termination of labor contracts and related relocation expenses. Please refer to Note 6.26 for the information.

Note 3 : The land expropriation compensation and appraisal report from the local government.

Note 4 : SHINIH FIBER PRODUCTS (SUZHOU) CO., LTD. obtained the land use rights and build factories in succession in 1993.

Note 5 : Please refer to Note 6.14 for the relocation progress and status of collection of SHINIH FIBER PRODUCTS (SUZHOU) CO., LTD.

SHINIH ENTERPRISE CO., LTD.

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES OF AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2022

TABLE 4

Amounts in Thousands of New Taiwan Dollars

| Company Name | Related Party | Nature of Relationships | Transaction Details | | | | Abnormal Transaction | | Notes/Accounts Payable or Receivable | | Note |
|------------------------------|------------------------|---|---------------------|---------------|------------|--------------------------------|----------------------|---------------|--------------------------------------|------------|------|
| | | | Purchases/Sales | Amount | % to Total | Payment Terms | Unit Price | Payment Terms | Ending Balance | % to Total | |
| AMERICAN OUTDOOR LIVING INC. | AMERICAN NONWOVEN INC. | Please refer to Note 4 of consolidated financial statements | Sales | (NTD 167,424) | (65%) | As prescribed by the agreement | — | — | 1,642 | 13% | Note |

Note 1 : All the transactions had been eliminated when preparing the consolidated financial statements.

SHINIH ENTERPRISE CO., LTD.
RECEIVABLES FROM RELATED PARTIES OF AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
DECEMBER 31, 2022

TABLE 5

Amounts in Thousands of New Taiwan Dollars

| Creditor | Counterparty | Relationship | Ending Balance (Note) | Turnover Rate | Overdue Receivables | | Amounts Received in Subsequent Period | Allowance for Bad Debts |
|---|--|---|---|------------------|---------------------|-----------------|---|----------------------------|
| | | | | | Amount | Action Taken | | |
| SHINIH HOLDING COMPANY LTD. | SHINIH VIETNAM COMPANY LTD. | Please refer to Note 4 of consolidated financial statements | Other receivables NTD 124,190 | - | - | - | - | - |
| HANGZHOU SHINIH FIBER PRODUCTS CO., LTD. | DONG GUAN TAIXIN FIBER PRODUCTS CO., LTD. | Please refer to Note 4 of consolidated financial statements | Accounts receivable NTD 3,496 | 1.59 | - | - | Accounts receivable NTD 1,473 | - |
| | | | Other receivables NTD 180,785 | - | - | - | - | |

Note 1 : All the transactions had been eliminated when preparing the consolidated financial statements.

SHINIH ENTERPRISE CO., LTD.

SUBSIDIARIES INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTION

FOR THE YEAR ENDED DECEMBER 31, 2022

TABLE 6

Amounts in Thousands of New Taiwan Dollars

| No. (Note 1) | Company Name | Counterparty | Nature of Relationship (Note 2) | Intercompany Transactions | | | |
|-----------------|--------------------------------|--|---------------------------------------|---------------------------|--------------------|--------|---|
| | | | | Financial Statements Item | Amount (Note 4) | Terms | Percentage of Consolidated Net Revenue or Total Assets |
| 0 | SHINIH ENTERPRISE CO., LTD. | TAIWAN KUREHA CO., LTD. | 1 | Sales revenue | \$ 2,110 | Note 3 | - |
| | | TAIWAN KUREHA CO., LTD. | 1 | Rental revenue | 5,680 | Note 3 | - |
| | | SHINIH FIBER PRODUCTS (SUZHOU) CO., LTD. | 4 | Sales revenue | 6,020 | Note 3 | - |
| | | SHINIH FIBER PRODUCTS (SUZHOU) CO., LTD. | 4 | Commission revenue | 1,844 | Note 3 | - |
| | | SHINIH VIETNAM COMPANY LTD. | 1 | Commission revenue | 4,125 | Note 3 | - |
| | | SHINIH VIETNAM COMPANY LTD. | 1 | Other revenue | 16,122 | Note 3 | 1% |
| | | PT.SHINIH NONWOVENS INDONESIA | 4 | Other revenue | 3,514 | Note 3 | - |
| | | AMERICAN OUTDOOR LIVING INC. | 4 | Other revenue | 3,651 | Note 3 | - |
| | | SHINIH (CAMBODIA) CO.,LTD | 4 | Commission revenue | 598 | Note 3 | - |
| | | HANGZHOU SHINIH FIBER PRODUCTS CO., LTD. | 4 | Sales revenue | 851 | Note 3 | - |
| 1 | TAIWAN KUREHA CO., LTD. | SHINIH ENTERPRISE CO., LTD. | 2 | Sales revenue | 735 | Note 3 | - |
| | | DONG GUAN TAIXIN FIBER PRODUCTS CO., LTD. | 3 | Sales revenue | 2,226 | Note 3 | - |

(Continued)

SHINIH ENTERPRISE CO., LTD.
SUBSIDIARIES INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTION
FOR THE YEAR ENDED DECEMBER 31, 2022

TABLE 6

Amounts in Thousands of New Taiwan Dollars

| No. (Note 1) | Company Name | Counterparty | Nature of Relationship (Note 2) | Intercompany Transactions | | | |
|-----------------|---|--|---------------------------------------|---------------------------|----------|--------|--|
| | | | | Financial Statements Item | Amount | Terms | Percentage of Consolidated Net Revenue or Total Assets |
| 2 | SHINIH HOLDING COMPANY LTD. | HUBEI TAIXIN FIBER PRODUCTS CO., LTD. | 6 | Interest revenue | \$ 1,940 | Note 3 | - |
| | | PT. SHINIH NONWOVENS INDONESIA | 6 | Interest revenue | 895 | Note 3 | - |
| | | TANGSHAN TAIXIN FIBER PRODUCTS CO., LTD. | 6 | Interest revenue | 838 | Note 3 | - |
| | | SHINIH VIETNAM COMPANY LTD. | 3 | Interest revenue | 2,063 | Note 3 | - |
| | | AMERICAN FURNITURE ALLIANCE INC. | 6 | Interest revenue | 652 | Note 3 | - |
| 3 | DONG GUAN TAIXIN FIBER PRODUCTS CO., LTD. | HANGZHOU SHINIH FIBER PRODUCTS CO., LTD. | 6 | Sales revenue | 18,245 | Note 3 | 1% |
| | | TAIXIN FIBER PRODUCTS (SUZHOU) CO., LTD. | 6 | Sales revenue | 668 | Note 3 | - |
| | | SHINIH ENTERPRISE CO., LTD. | 2 | Sales revenue | 553 | Note 3 | - |
| 4 | SHINIH USA INC. | SHINIH VIETNAM COMPANY LTD. | 3 | Sales revenue | 8,061 | Note 3 | - |
| 5 | HANGZHOU SHINIH FIBER PRODUCTS CO., LTD. | DONG GUAN TAIXIN FIBER PRODUCTS CO., LTD. | 7 | Interest revenue | 4,954 | Note 3 | - |
| | | DONG GUAN TAIXIN FIBER PRODUCTS CO., LTD. | 7 | Sales revenue | 5,567 | Note 3 | - |

(Continued)

SHINIH ENTERPRISE CO., LTD.

SUBSIDIARIES INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTION

FOR THE YEAR ENDED DECEMBER 31, 2022

TABLE 6

Amounts in Thousands of New Taiwan Dollars

| No. (Note 1) | Company Name | Counterparty | Nature of Relationship (Note 2) | Intercompany Transactions | | | |
|-----------------|---|--|---------------------------------------|---------------------------|----------|--------|--|
| | | | | Financial Statements Item | Amount | Terms | Percentage of Consolidated Net Revenue or Total Assets |
| 6 | SHINIH FIBER PRODUCTS (SUZHOU) CO., LTD. | SHINIH ENTERPRISE CO., LTD. | 5 | Sales revenue | \$ 2,546 | Note 3 | - |
| | | SHINIH VIETNAM COMPANY LTD. | 7 | Sales revenue | 1,088 | Note 3 | - |
| | | HUBEI TAIXIN FIBER PRODUCTS CO., LTD. | 8 | Sales revenue | 3,357 | Note 3 | - |
| | | QINGDAO TAIXIN FIBER PRODUCTS CO., LTD. | 8 | Interest revenue | 539 | Note 3 | - |
| 7 | TAIXIN FIBER PRODUCTS (SUZHOU) CO., LTD. | HANGZHOU SHINIH FIBER PRODUCTS CO., LTD. | 8 | Sales revenue | 4,914 | Note 3 | - |
| | | DONG GUAN TAIXIN FIBER PRODUCTS CO., LTD. | 7 | Sales revenue | 6,931 | Note 3 | - |
| | | TANGSHAN TAIXIN FIBER PRODUCTS CO., LTD. | 8 | Sales revenue | 1,069 | Note 3 | - |
| 8 | SHINIH FIBER PRODUCTS (DONG GUAN) CO., LTD. | DONG GUAN TAIXIN FIBER PRODUCTS CO., LTD. | 7 | Rental revenue | 16,014 | Note 3 | 1% |
| | | DONG GUAN TAIXIN FIBER PRODUCTS CO., LTD. | 7 | Interest revenue | 793 | Note 3 | - |
| 9 | TANGSHAN TAIXIN FIBER PRODUCTS CO., LTD. | HANGZHOU SHINIH FIBER PRODUCTS CO., LTD. | 8 | Sales revenue | 7,923 | Note 3 | - |
| | | DONG GUAN TAIXIN FIBER PRODUCTS CO., LTD. | 7 | Interest revenue | 1,106 | Note 3 | - |
| | | DONG GUAN TAIXIN FIBER PRODUCTS CO., LTD. | 7 | Sales revenue | 510 | Note 3 | - |

(Continued)

SHINIH ENTERPRISE CO., LTD.

SUBSIDIARIES INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTION

FOR THE YEAR ENDED DECEMBER 31, 2022

TABLE 6

Amounts in Thousands of New Taiwan Dollars

| No. (Note 1) | Company Name | Counterparty | Nature of Relationship (Note 2) | Intercompany Transactions | | | |
|-----------------|---|--|---------------------------------------|---------------------------|----------|--------|--|
| | | | | Financial Statements Item | Amount | Terms | Percentage of Consolidated Net Revenue or Total Assets |
| 9 | TANGSHAN TAIXIN FIBER PRODUCTS CO., LTD. | TAIXIN FIBER PRODUCTS (SUZHOU) CO., LTD. | 8 | Sales revenue | \$ 1,782 | Note 3 | - |
| 10 | SHINIH FIBER PRODUCTS (TANGSHAN) CO., LTD. | TANGSHAN TAIXIN FIBER PRODUCTS CO., LTD. | 8 | Rental revenue | 6,636 | Note 3 | - |
| | | DONG GUAN TAIXIN FIBER PRODUCTS CO., LTD. | 7 | Interest revenue | 546 | Note 3 | - |
| 11 | HUBEI TAIXIN FIBER PRODUCTS CO., LTD. | DONG GUAN TAIXIN FIBER PRODUCTS CO., LTD. | 7 | Sales revenue | 1,224 | Note 3 | - |
| 12 | AMERICAN OUTDOOR LIVING INC. | AMERICAN NONWOVEN INC. | 8 | Sales revenue | 167,424 | Note 3 | 7% |
| | | AMERICAN NONWOVEN INC. | 8 | Other revenue | 10,746 | Note 3 | - |
| | | MS NONWOVEN INC. | 8 | Other revenue | 1,970 | Note 3 | - |
| | | VFT INC. | 7 | Sales revenue | 92,097 | Note 3 | 4% |
| | | VFT INC. | 7 | Other revenue | 7,701 | Note 3 | - |
| 13 | WORLD FURNITURE GROUP | AMERICAN NONWOVEN INC. | 8 | Other revenue | 3,283 | Note 3 | - |
| | | AMERICAN OUTDOOR LIVING INC. | 8 | Other revenue | 26,865 | Note 3 | 1% |
| | | AMERICAN FURNITURE ALLIANCE INC. | 8 | Other revenue | 1,790 | Note 3 | - |
| | | VFT INC. | 7 | Other revenue | 3,582 | Note 3 | - |
| | | MS NONWOVEN INC. | 8 | Other revenue | \$ 1,060 | Note 3 | - |

(Continued)

SHINIH ENTERPRISE CO., LTD.

SUBSIDIARIES INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTION

FOR THE YEAR ENDED DECEMBER 31, 2022

TABLE 6

Amounts in Thousands of New Taiwan Dollars

| No. (Note 1) | Company Name | Counterparty | Nature of Relationship (Note 2) | Intercompany Transactions | | | |
|-----------------|--------------------------------|--|---------------------------------------|---------------------------|----------|--------|--|
| | | | | Financial Statements Item | Amount | Terms | Percentage of Consolidated Net Revenue or Total Assets |
| 14 | VFT INC. | AMERICAN NONWOVEN INC. | 6 | Other revenue | \$ 4,656 | Note 3 | - |
| | | AMERICAN NONWOVEN INC. | 6 | Sales revenue | 18,516 | Note 3 | 1% |
| | | MS NONWOVEN INC. | 6 | Sales revenue | 877 | Note 3 | - |
| 15 | AMERICAN NONWOVEN INC. | MS NONWOVEN INC. | 8 | Sales revenue | 2,322 | Note 3 | - |
| | | VFT INC. | 7 | Sales revenue | 12,702 | Note 3 | - |
| | | VFT INC. | 7 | Interest revenue | 759 | Note 3 | - |
| | | AMERICAN FURNITURE ALLIANCE INC. | 8 | Interest revenue | 1,432 | Note 3 | - |
| | | AMERICAN FURNITURE ALLIANCE INC. | 8 | Rental revenue | 3,384 | Note 3 | - |
| 17 | SHINIH VIETNAM COMPANY LTD. | SHINIH FIBER PRODUCTS (SUZHOU) CO., LTD. | 6 | Sales revenue | 570 | Note 3 | - |
| | | PT. SHINIH NONWOVENS INDONESIA | 6 | Sales revenue | 973 | Note 3 | - |

(Continued)

SHINIH ENTERPRISE CO., LTD.

SUBSIDIARIES INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTION

FOR THE YEAR ENDED DECEMBER 31, 2022

TABLE 6

Amounts in Thousands of New Taiwan Dollars

| No. (Note 1) | Company Name | Counterparty | Nature of Relationship (Note 2) | Intercompany Transactions | | | |
|-----------------|--------------------------------|---|---------------------------------------|---------------------------|----------|--------|--|
| | | | | Financial Statements Item | Amount | Terms | Percentage of Consolidated Net Revenue or Total Assets |
| 0 | SHINIH ENTERPRISE CO., LTD. | TAIWAN KUREHA CO., LTD. | 1 | Accounts receivable | \$ 1,470 | Note 3 | - |
| | | SHINIH VIETNAM COMPANY LTD. | 1 | Other receivables | 18,318 | Note 3 | - |
| | | TANGSHAN TAIXIN FIBER PRODUCTS CO., LTD. | 4 | Other receivables | 1,626 | Note 3 | - |
| | | HANGZHOU SHINIH FIBER PRODUCTS CO., LTD. | 4 | Other receivables | 845 | Note 3 | - |
| | | SHINIH FIBER PRODUCTS (SUZHOU) CO., LTD. | 4 | Other receivables | 2,109 | Note 3 | - |
| | | AMERICAN OUTDOOR LIVING INC. | 4 | Other receivables | 1,893 | Note 3 | - |
| 1 | SHINIH HOLDING COMPANY LTD. | HANGZHOU SHINIH FIBER PRODUCTS CO., LTD. | 6 | Other receivables | 12,587 | Note 3 | - |
| | | SHINIH FIBER PRODUCTS (SUZHOU) CO., LTD. | 6 | Other receivables | 23,615 | Note 3 | - |
| | | HUBEI TAIXIN FIBER PRODUCTS CO., LTD. | 6 | Other receivables | 70,083 | Note 3 | 1% |
| | | SHINIH (CAMBODIA) CO., LTD | 6 | Other receivables | 1,878 | Note 3 | - |
| | | PT. SHINIH NONWOVENS INDONESIA | 6 | Other receivables | 30,978 | Note 3 | 1% |
| | | AMERICAN FURNITURE ALLIANCE INC. | 6 | Other receivables | 31,132 | Note 3 | 1% |
| | | TANGSHAN TAIXIN FIBER PRODUCTS CO., LTD. | 6 | Other receivables | 35,210 | Note 3 | 1% |

(Continued)

SHINIH ENTERPRISE CO., LTD.

SUBSIDIARIES INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTION

FOR THE YEAR ENDED DECEMBER 31, 2022

TABLE 6

Amounts in Thousands of New Taiwan Dollars

| No. (Note 1) | Company Name | Counterparty | Nature of Relationship (Note 2) | Intercompany Transactions | | | |
|-----------------|--|---|---------------------------------------|---------------------------|-----------|--------|--|
| | | | | Financial Statements Item | Amount | Terms | Percentage of Consolidated Net Revenue or Total Assets |
| 2 | SUNBURST INTERNAL LTD. | SHINIH FIBER PRODUCTS (TANGSHAN) CO., LTD. | 6 | Other receivables | \$ 11,737 | Note 3 | - |
| | | AMERICAN OUTDOOR LIVING INC. | 6 | Other receivables | 2,324 | Note 3 | - |
| | | SHINIH VIETNAM COMPANY LTD. | 3 | Other receivables | 124,190 | Note 3 | 2% |
| | | SHINIH VIETNAM COMPANY LTD. | 3 | Other receivables | 9,046 | Note 3 | - |
| | | SHINIH (CAMBODIA) CO., LTD | 6 | Other receivables | 9,922 | Note 3 | - |
| 3 | TAIWAN KUREHA CO., LTD. | SHINIH ENTERPRISE CO., LTD. | 2 | Other receivables | 789 | Note 3 | - |
| 4 | SHINIH USA INC. | SHINIH ENTERPRISE CO., LTD. | 2 | Accounts receivable | 1,593 | Note 3 | - |
| 5 | HANGZHOU SHINIH FIBER PRODUCTS CO., LTD. | DONG GUAN TAIXIN FIBER PRODUCTS CO., LTD. | 7 | Other receivables | 180,785 | Note 3 | 3% |
| | | DONG GUAN TAIXIN FIBER PRODUCTS CO., LTD. | 7 | Accounts receivable | 3,496 | Note 3 | - |
| 6 | SHINIH FIBER PRODUCTS (SUZHOU) CO., LTD. | TANGSHAN TAIXIN FIBER PRODUCTS CO., LTD. | 8 | Other receivables | 1,072 | Note 3 | - |
| | | SHINIH ENTERPRISE CO., LTD. | 2 | Accounts receivable | 929 | Note 3 | - |
| | | KUNSHAN SHINIH TRADING CO., LTD. | 8 | Other receivables | 8,819 | Note 3 | - |
| | | HUBEI TAIXIN FIBER PRODUCTS CO., LTD. | 8 | Other receivables | 17,638 | Note 3 | - |

(Continued)

SHINIH ENTERPRISE CO., LTD.

SUBSIDIARIES INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTION

FOR THE YEAR ENDED DECEMBER 31, 2022

TABLE 6

Amounts in Thousands of New Taiwan Dollars

| No. (Note 1) | Company Name | Counterparty | Nature of Relationship (Note 2) | Intercompany Transactions | | | |
|-----------------|---|--|---------------------------------------|---------------------------|----------|--------|--|
| | | | | Financial Statements Item | Amount | Terms | Percentage of Consolidated Net Revenue or Total Assets |
| 7 | TAIXIN FIBER PRODUCTS (SUZHOU) CO., LTD. | DONG GUAN TAIXIN FIBER PRODUCTS CO., LTD. | 7 | Other receivables | \$ 7,193 | Note 3 | - |
| | | QINGDAO TAIXIN FIBER PRODUCTS CO., LTD. | 8 | Accounts receivable | 1,464 | Note 3 | - |
| | | QINGDAO TAIXIN FIBER PRODUCTS CO., LTD. | 8 | Other receivables | 31,637 | Note 3 | 1% |
| | | SHINIH ENTERPRISE CO., LTD. | 5 | Accounts receivable | 3,527 | Note 3 | - |
| | | HUBEI TAIXIN FIBER PRODUCTS CO., LTD. | 8 | Other receivables | 11,024 | Note 3 | - |
| | | SHINIH FIBER PRODUCTS (SUZHOU) CO., LTD. | 8 | Other receivables | 560 | Note 3 | - |
| | | DONG GUAN TAIXIN FIBER PRODUCTS CO., LTD. | 7 | Other receivables | 17,710 | Note 3 | - |
| 8 | TANGSHAN TAIXIN FIBER PRODUCTS CO., LTD. | HANGZHOU SHINIH FIBER PRODUCTS CO., LTD. | 8 | Accounts receivable | 1,931 | Note 3 | - |
| | | TAIXIN FIBER PRODUCTS (SUZHOU) CO., LTD. | 8 | Accounts receivable | 1,297 | Note 3 | - |
| | | DONG GUAN TAIXIN FIBER PRODUCTS CO., LTD. | 7 | Other receivables | 37,480 | Note 3 | 1% |
| 9 | SHINIH FIBER PRODUCTS (TANGSHAN) CO., LTD. | TANGSHAN TAIXIN FIBER PRODUCTS CO., LTD. | 8 | Other receivables | 2,419 | Note 3 | - |
| | | DONG GUAN TAIXIN FIBER PRODUCTS CO., LTD. | 7 | Other receivables | 28,661 | Note 3 | - |

(Continued)

SHINIH ENTERPRISE CO., LTD.

SUBSIDIARIES INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTION

FOR THE YEAR ENDED DECEMBER 31, 2022

TABLE 6

Amounts in Thousands of New Taiwan Dollars

| No. (Note 1) | Company Name | Counterparty | Nature of Relationship (Note 2) | Intercompany Transactions | | | |
|-----------------|---|--|---------------------------------------|---------------------------|----------|--------|--|
| | | | | Financial Statements Item | Amount | Terms | Percentage of Consolidated Net Revenue or Total Assets |
| 10 | SHINIH FIBER PRODUCTS (DONG GUAN) CO., LTD. | HUBEI TAIXIN FIBER PRODUCTS CO., LTD. | 8 | Other receivables | \$ 4,409 | Note 3 | - |
| | | DONG GUAN TAIXIN FIBER PRODUCTS CO., LTD. | 7 | Other receivables | 39,185 | Note 3 | 1% |
| 11 | QINGDAO TAIXIN FIBER PRODUCTS CO., LTD. | SHINIH FIBER PRODUCTS (SUZHOU) CO., LTD. | 8 | Accounts receivable | 549 | Note 3 | - |
| 12 | AMERICAN OUTDOOR LIVING INC. | SHINIH FIBER PRODUCTS (SUZHOU) CO., LTD. | 8 | Other receivables | 749 | Note 3 | - |
| | | VFT INC. | 7 | Accounts receivable | 11,234 | Note 3 | - |
| | | SHINIH USA INC. | 7 | Other receivables | 10,329 | Note 3 | - |
| | | AMERICAN FURNITURE ALLIANCE INC. | 8 | Other receivables | 1,843 | Note 3 | - |
| | | AMERICAN NONWOVEN INC. | 8 | Accounts receivable | 1,642 | Note 3 | - |
| | | WORLD FURNITURE GROUP | 8 | Other receivables | 3,321 | Note 3 | - |
| 13 | AMERICAN NONWOVEN INC. | AMERICAN FURNITURE ALLIANCE INC. | 8 | Other receivables | 49,136 | Note 3 | 1% |
| | | VFT INC. | 7 | Other receivables | 53,787 | Note 3 | 1% |
| | | VFT INC. | 7 | Notes receivable | 22,526 | Note 3 | 1% |
| 14 | MS NONWOVEN INC. | AMERICAN NONWOVEN INC. | 8 | Prepaid equipment | 3,272 | Note 3 | - |
| 15 | AMERICAN FURNITURE ALLIANCE INC. | VFT INC. | 8 | Other receivables | 19,962 | Note 3 | - |
| | | SHINIH USA INC. | 7 | Other receivables | 6,933 | Note 3 | - |

(Continued)

SHINIH ENTERPRISE CO., LTD.

SUBSIDIARIES INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTION

FOR THE YEAR ENDED DECEMBER 31, 2022

TABLE 6

Amounts in Thousands of New Taiwan Dollars

| No. (Note 1) | Company Name | Counterparty | Nature of Relationship (Note 2) | Intercompany Transactions | | | |
|-----------------|--------------------------|-----------------|---------------------------------------|---------------------------|--------|--------|--|
| | | | | Financial Statements Item | Amount | Terms | Percentage of Consolidated Net Revenue or Total Assets |
| 16 | WORLD FURNITURE GROUP | SHINIH USA INC. | 7 | Other receivables | \$ 968 | Note 3 | - |

Note 1: The parent company and subsidiaries are coded as follows:

- (1) Parent company is '0'.
- (2) The subsidiaries are numbered in order starting from '1'.

Note 2: Relationships between transaction companies and counterparties are classified into the following three categories as listed below :

- '1' represents parent company to subsidiary.
- '2' represents subsidiary to parent company.
- '3' represents subsidiary to subsidiary.
- '4' represents parent company to sub-subsidiary.
- '5' represents sub-subsidiary to parent company.
- '6' represents subsidiary to sub-subsidiary.
- '7' represents sub-subsidiary to subsidiary.
- '8' represents sub-subsidiary to sub-subsidiary.

Note 3: Sale price with related parties were determined and negotiated referring to related market price.

Note 4: All the transactions had been eliminated when preparing the consolidated financial statements.

SHINIH ENTERPRISE CO., LTD.

NAMES, LOCATIONS, AND RELATED INFORMATION OF INVESTEES OVER WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE
DECEMBER 31, 2022

TABLE 7

Amounts in Thousands of New Taiwan Dollars

| Investor Company | Investee Company | Location | Main Businesses and Products | Original Investment Amount | | Balance as of December 31, 2020 | | | Net Income (Losses) of the Investee | Share of Profits/Losses of Investee | Note |
|------------------|-----------------------------|----------|---|----------------------------|-------------------|---------------------------------|-------------------------|----------------|-------------------------------------|-------------------------------------|-------------|
| | | | | December 31, 2021 | December 31, 2020 | Shares | Percentage of Ownership | Carrying Value | | | |
| The Company | TAIWAN KUREHA CO., LTD. | Note 1 | The manufacture, processing and sale of nonwoven fabric material, carpets, tapestries, conveyor belts and air filters | NTD 54,800 | NTD 54,800 | 55,000 | 84.62% | NTD 27,208 | NTD (9,747) | NTD (8,287) | Note 19, 20 |
| | SHINIH HOLDING CO.,LTD. | Note 2 | Securities trading and investment | USD 6,700 | USD 6,700 | 10,000,000 | 100% | NTD2,060,585 | NTD 223,338 | NTD 224,366 | Note 19, 20 |
| | SUNBURST INTERNATIONAL LTD. | Note 3 | Operating textile, polyester cotton and other import and export trade and reinvestment business | USD 50 | USD 50 | 50,000 | 100% | NTD 12,233 | NTD 1,896 | NTD 5,566 | Note 19, 20 |
| | VFT INC. | Note 4 | Nonwoven fabric material manufacturing, processing and trading | USD 1,800 | USD 1,800 | 100 | 100% | NTD 269,512 | NTD 38,563 | NTD 39,395 | Note 19, 20 |
| | KUREHA (THAILAND) CO.,LTD. | Note 5 | The manufacture, processing and trading of blankets and air filters | USD 1,018 | USD 1,018 | 37,500 | 50% | NTD 78,210 | NTD 35,530 | NTD 17,765 | Note 20 |

(Continued)

SHINIH ENTERPRISE CO., LTD.

NAMES, LOCATIONS, AND RELATED INFORMATION OF INVESTEES OVER WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE
DECEMBER 31, 2022

TABLE 7

Amounts in Thousands of New Taiwan Dollars

| Investor Company | Investee Company | Location | Main Businesses and Products | Original Investment Amount | | Balance as of December 31, 2020 | | | Net Income (Losses) of the Investee | Share of Profits/Losses of Investee | Note |
|-----------------------------|--------------------------------|----------|--|----------------------------|-------------------|---------------------------------|-------------------------|----------------|-------------------------------------|-------------------------------------|-------------|
| | | | | December 31, 2021 | December 31, 2020 | Shares | Percentage of Ownership | Carrying Value | | | |
| SHINIH ENTERPRISE CO., LTD. | SHINIH VIETNAM COMPANY LTD. | Note 6 | Nonwoven fabric material manufacturing, processing and trading | USD 2,000 | USD 2,000 | - | 100% | NTD 258,486 | NTD 61,685 | NTD 61,605 | Note 19, 20 |
| | SHINIH USA INC. | Note 7 | Securities trading and investment | USD 1,100 | USD 1,100 | 1,100,000 | 100% | NTD 48,533 | NTD 6,539 | NTD 7,266 | Note 19, 20 |
| | INTERBOND CO., LTD. | Note 8 | Nonwoven fabric material manufacturing, processing and trading | NTD 2,000 | NTD 2,000 | 200,000 | 100% | NTD 1,324 | NTD (107) | NTD (107) | Note 20 |
| SHINIH HOLDING CO., LTD. | SHINIH (CAMBODIA) CO., LTD. | Note 9 | Nonwoven fabric material and other manufacturing and sales | USD 1,500 | USD 1,500 | - | 100% | USD (1,005) | USD (175) | Note 17 | Note 20 |
| | PT. SHINIH NONWOVENS INDONESIA | Note 10 | Nonwoven fabric material and other manufacturing and sales | USD 6,435 | USD 6,435 | - | 99% | USD 4,872 | USD 212 | Note 17 | Note 20 |
| SHINIH USA INC. | AMERICAN OUTDOOR LIVING INC. | Note 11 | Nonwoven fabric material manufacturing, processing and trading | USD 1,000 | USD 1,000 | - | 100% | USD 4,101 | USD 107 | Note 17 | Note 20 |

(Continued)

| Investor Company | Investee Company | Location | Main Businesses and Products | Original Investment Amount | | Balance as of December 31, 2020 | | | Net Income (Losses) of the Investee | Share of Profits/Losses of Investee | Note |
|-----------------------|----------------------------------|----------|--|----------------------------|-------------------|---------------------------------|-------------------------|----------------|-------------------------------------|-------------------------------------|---------|
| | | | | December 31, 2021 | December 31, 2020 | Shares | Percentage of Ownership | Carrying Value | | | |
| | WORLD FURNITURE GROUP | Note 12 | Investment business | USD 400 | USD 400 | - | 100% | USD (1,267) | USD 56 | Note 17 | Note 20 |
| WORLD FURNITURE GROUP | AMERICAN FURNITURE ALLIANCE INC. | Note 13 | Nonwoven fabric material manufacturing, processing and trading | USD 400 | USD 400 | - | 80% | USD (1,356) | USD 58 | Note 17 | Note 20 |
| | SINTERNATION INC. | Note 14 | General merchandise trade | USD 100 | USD - | - | 100% | USD 98 | USD (2) | Note 17 | Note 20 |
| VFT INC. | MS NONWOVEN INC. | Note 15 | Nonwoven fabric material manufacturing, processing and trading | USD 7,428 | USD 7,428 | - | 100% | USD 1,162 | USD 102 | Note 17 | Note 20 |
| | AMERICAN NONWOVEN INC. | Note 16 | Nonwoven fabric material manufacturing, processing and trading | USD 100 | USD 100 | - | 100% | USD 9,465 | USD 771 | Note 17 | Note 20 |
| | | | | | | | | | | | |

(Continued)

Note 1: No. 2-23, Tuku, Shuixiu Vil., Yanshui Dist., Tainan City 73743, Taiwan (R.O.C.)

Note 2: OFFSHORE CHANBERS P.O.BOX 217.APIA WESTERN SAMOA

Note 3: P.O.BOX 957,OFFSHORE INCOPORATIONS CENTRE ROAD TOWN,TORTOLA,BRITISH VIRGIN ISLANDS

Note 4: 1040 S.Vail AVE. Montebello,CA

Note 5: 525 Moo 4 Bangpoo Industral Estate, Sukhumvit RD., Praksa, Muang District, Samutrpakarn 10280 Thailand

Note 6: B3-3 Cu Chi Northwest Industrial Zone,Cu Chi District, HCMC,Vietnam

Note 7: 1040 S VAIL AVENUE MONTEBELLO,CA 90640 LOS ANGELES COUNTY CALIFORNIA

Note 8: 5F.-1, No. 266, Sec. 1, Wenhua 2nd Rd., Linkou Dist., New Taipei City 244022 , Taiwan (R.O.C.)

Note 9: Phnom Penh Special Economic Zone (Sangkat Kantouk, Sangkat Phleung Chhes Rotes, Sangkat Beung Thom, Khan Por Senchey, Phnom Penh)

Note 10: Kawasan Industri Indotaisei Sektor IA Blok D-Z, Kalihurip Cikampek, Karawang-Jawa Barat

Note 11: 820 S VINTAGE AV#A ONTARIO CA 91764 CALIFORNIA

Note 12: 9141 Arrow Route, Rancho Cucamonga, CA

Note 13: 785 E. Harrison Street, Corona, CA

Note 14: 785 E. Harrison Street, Corona, CA

Note 15: 275 Industrial DR, Pontotoc, MS

Note 16: 9141 Arrow Route, Rancho Cucamonga, CA

Note 17: According to the regulations, it can be exempted from filling in columns.

Note 18: Please refer to Table 8 for information of investees in Mainland China.

Note 19: The difference between the investment income and loss recognized in the current period and the income and loss of the invested company recognized according to the shareholding ratio in the current period is the unrealized income and loss of the upstream and downstream transactions within the group.

Note 20: All the transactions had been eliminated when preparing the consolidated financial statements.

SHINIH ENTERPRISE CO., LTD.
 INFORMATION ON INVESTMENT IN MAINLAND CHINA
 FOR THE YEAR ENDED DECEMBER 31, 2022

TABLE 8 Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise

| Investee Company | Main Businesses and Products | Total Amount of Paid-in Capital | Method of Investment | Accumulated Outflow of Investment from Taiwan as of January 1, 2022 | Investment Flows | | Accumulated Outflow of Investment from Taiwan as of December 31, 2022 | Net Income (Losses) of the Investee Company | Percentage of Ownership | Shares of Profits/Losses | Carrying Amount as of December 31, 2022 | Accumulated Inward Remittance of Earnings as of December 31, 2022 |
|---|--|---------------------------------|----------------------|---|------------------|--------|---|---|-------------------------|--------------------------|---|---|
| | | | | | Outflow | Inflow | | | | | | |
| DONG GUAN TAIXIN FIBER PRODUCTS CO., LTD. | Nonwoven fabric material manufacturing, processing and trading | NTD 61,420 (USD 2,000) | Note 2 | NTD 60,000 | - | - | NTD 60,000 | NTD (40,553) | 100% | NTD (39,825) | NTD 41,844 | NTD 131,709 |
| SHINIH FIBER PRODUCTS (SUZHOU) CO., LTD. | Nonwoven fabric material manufacturing, processing and trading | NTD 76,775 (USD 2,500) | Note 2 | NTD 8,430 | - | - | NTD 8,430 | NTD 71,112 | 11% | NTD 7,650 | NTD 18,241 | NTD 31,145 |
| " | Nonwoven fabric material manufacturing, processing and trading | " | Note 1 | Note 1 | | | Note 1 | NTD 71,112 | 89% | NTD 62,946 | NTD 277,517 | - |
| SHINIH FIBER PRODUCTS (DONG GUAN) CO., LTD. | Nonwoven fabric material manufacturing, processing and trading | NTD 52,821 (USD 1,720) | Note 1 | Note 1 | - | - | Note 1 | NTD 12,442 | 100% | NTD 12,442 | NTD 57,301 | - |
| HANGZHOU SHINIH FIBER PRODUCTS CO., LTD. | Nonwoven fabric material manufacturing, processing and trading | NTD 115,163 (USD 3,750) | Note 1 | Note 1 | - | - | Note 1 | NTD 2,339 | 100% | NTD 2,385 | NTD 223,862 | - |

(Continued)

SHINIH ENTERPRISE CO., LTD.
 INFORMATION ON INVESTMENT IN MAINLAND CHINA
 FOR THE YEAR ENDED DECEMBER 31, 2022

TABLE 8

Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise

| Investee Company | Main Businesses and Products | Total Amount of Paid-in Capital | Method of Investment | Accumulated Outflow of Investment from Taiwan as of January 1,2022 | Investment Flows | | Accumulated Outflow of Investment from Taiwan as of December 31, 2022 | Net Income (Losses) of the Investee Company | Percentage of Ownership | Shares of Profits/ Losses | Carrying Amount as of December 31, 2022 | Accumulated Inward Remittance of Earnings as of December 31, 2022 |
|--|--|---------------------------------|----------------------|--|------------------|--------|---|---|-------------------------|---------------------------|---|---|
| | | | | | Outflow | Inflow | | | | | | |
| SHINIH FIBER PRODUCTS (TANGSHAN) CO., LTD. | Nonwoven fabric material manufacturing, processing and trading | NTD 61,420 (USD 2,000) | Note 1 | Note 1 | - | - | Note 1 | NTD 4,593 | 100% | NTD 4,601 | NTD 64,167 | - |
| TAIXIN FIBER PRODUCTS (SUZHOU) CO., LTD. | Nonwoven fabric material manufacturing, processing and trading | NTD 153,550 (USD 5,000) | Note 1 | Note 1 | - | - | Note 1 | NTD 234,769 | 100% | NTD 234,710 | NTD 411,566 | - |
| TANGSHAN TAIXIN FIBER PRODUCTS CO., LTD. | Nonwoven fabric material manufacturing, processing and trading | NTD 64,491 (USD 2,100) | Note 1 | Note 1 | - | - | Note 1 | NTD 951 | 100% | NTD 656 | NTD 74,607 | - |
| QINGDAO TAIXIN FIBER PRODUCTS CO., LTD. | Nonwoven fabric material manufacturing, processing and trading | NTD 92,130 (USD 3,000) | Note 1 | Note 1 | - | - | Note 1 | NTD (8,603) | 100% | NTD (8,603) | NTD 25,784 | - |
| HUBEI TAIXIN FIBER PRODUCTS CO., LTD. | Nonwoven fabric material manufacturing, processing and trading | NTD 115,163 (USD 3,750) | Note 1 | Note 1 | - | - | Note 1 | NTD (19,495) | 100% | NTD (19,495) | NTD(18,585) | - |

| Investee Company | Main Businesses and Products | Total Amount of Paid-in Capital | Method of Investment | Accumulated Outflow of Investment from Taiwan as of January 1, 2022 | Investment Flows | | Accumulated Outflow of Investment from Taiwan as of December 31, 2022 | Net Income (Losses) of the Investee Company | Percentage of Ownership | Shares of Profits/Losses | Carrying Amount as of December 31, 2022 | Accumulated Inward Remittance of Earnings as of December 31, 2022 |
|----------------------------------|------------------------------|---------------------------------|----------------------|---|------------------|--------|---|---|-------------------------|--------------------------|---|---|
| | | | | | Outflow | Inflow | | | | | | |
| KUNSHAN SHINIH TRADING CO., LTD. | General merchandise trade | NTD 9,213 (USD 300) | Note 1 | Note 1 | - | - | Note 1 | NTD 4,111 | 100% | NTD (9,782) | NTD (2,972) | - |

| Accumulated Investment in Mainland China as of December 31, 2022 | Investment Amounts Authorized by Investment Commission, MOEA | Upper Limit on Investment |
|--|--|---------------------------|
| NTD 160,560 | NTD 882,298 (USD 28,730) | NTD 2,047,065 |

Note 1 : The Company remitted US\$3,000 thousand from Taiwan to invest in SHINIH HOLDING CO., LTD., and pass through SHINIH HOLDING CO., LTD. to invest in SHINIH FIBER PRODUCTS (SUZHOU) CO., LTD., SHINIH FIBER PRODUCTS (DONG GUAN) CO., LTD., HANGZHOU SHINIH FIBER PRODUCTS CO., LTD., SHINIH FIBER PRODUCTS (TANGSHAN) CO., LTD., TAIXIN FIBER PRODUCTS (SUZHOU) CO., LTD., TANGSHAN TAIXIN FIBER PRODUCTS CO., LTD., QINGDAO TAIXIN FIBER PRODUCTS CO., LTD., HUBEI TAIXIN FIBER PRODUCTS CO., LTD. and KUNSHAN SHINIH TRADING CO., LTD.

Note 2 : Directly invest in a company in Mainland China.

Note 3 : It is recognized according to the financial statements audited by Taiwan accountants for the same period.

Note 4 : All the transactions had been eliminated when preparing the consolidated financial statements.

Note 5 : According to the "Principles for Reviewing Investment or Technical Cooperation in the Mainland Area", investors who remit dividends or profits from mainland investment enterprises back to Taiwan shall deduct their accumulated investment amount. As of December 31, 111, the accumulated amount of investment remitted out was \$160,560 thousand; the accumulated profit remitted back from the mainland was \$162,854 thousand.

SHINIH ENTERPRISE CO., LTD.
Major Shareholders Information
DECEMBER 31, 2022

TABLE 9

| Share | Total Shares Owned | Ownership Percentage |
|-------------------------------|--------------------|----------------------|
| Major shareholders | | |
| LEE PONT INVESTMENT CO., LTD. | 24,075,234 | 22.06% |

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Note 1 : The information on major shareholders in this table is calculated by TDCC on the last business day of each quarter, based on shareholders holding a total of 5% or more of the Company's common and special shares that have completed non-physical registration and delivery. As for the share capital recorded in the Company's financial statements and the actual number of shares that have completed non-physical registration and delivery, there may be differences due to different calculation bases.

Note 2 : If the data above belongs to shareholders who transfer their shares to trust, it is disclosed by the individual accounts of the trustors who open trust accounts by the trustees. As for the shareholders who report their shareholding over 10% of the internal person's equity according to the securities trading laws and regulations, their shareholding includes their own shares plus those transferred to trust and those with decision-making power over trust property. For information on internal person's equity reporting, please refer to the Public Information Observation Station.

THE CONTENTS OF STATEMENTS OF MAJOR ACCOUNTING ITEMS

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| STATEMENT OF NOTES RECEIVABLE, NET | 2 |
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| STATEMENT OF CHANGES IN INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD | 5 |
| STATEMENT OF SHORT-TERM LOANS | 6 |
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SHINIH ENTERPRISE CO., LTD.

STATEMENT OF CASH AND CASH EQUIVALENTS

DECEMBER 31, 2022

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

Statement 1

| <u>Item</u> | <u>Description</u> | | <u>Amount</u> |
|-----------------------------|--------------------|--------|---------------|
| Cash on hand and petty cash | | | \$ 330 |
| Cash in banks | | | |
| New Taiwan Dollars | | | |
| Checking accounts | | | |
| deposits | | | |
| Demand deposits | | | 435 |
| Foreign currency | | | 52,266 |
| Demand deposits | (USD) | 1,573 | |
| | (JPY) | 33,773 | 48,310 |
| | (CNY) | 199 | 7,849 |
| | (EUR) | 10 | 877 |
| Deposits account | (USD) | 4,000 | 330 |
| | | | 122,840 |
| Subtotal | | | 232,907 |
| Total | | | \$ 233,237 |

Note : USD 1 = NT \$30.7100

JPY 1 = NT \$0.2324

CNY 1 = NT \$4.4094

EUR 1 = NT \$32.7200

SHINIH ENTERPRISE CO., LTD.

STATEMENT OF NOTES RECEIVABLE, NET

DECEMBER 31, 2022

(In Thousands of New Taiwan Dollars)

Statement 2

| <u>Client Name</u> | <u>Description</u> | <u>Amount</u> |
|---|--------------------|------------------|
| CANVADA INDUSTRIAL CO., LTD. | Payment for goods | \$ 1,474 |
| MEXSMON TRADING CO., LTD. | Payment for goods | 1,300 |
| O'LAURIE CORP. | Payment for goods | 934 |
| CHIN CHENG MATS CO., LTD. | Payment for goods | 775 |
| Ms. TSAI SHU YU | Payment for goods | 632 |
| JIN SHINN CHANG ENTERPRISE CO., LTD. | Payment for goods | 593 |
| Others (Note) | Payment for goods | 4,931 |
| Total | | <u>\$ 10,639</u> |

Note : The amount of individual client included in others does not exceed 5% of the account balance.

SHINIH ENTERPRISE CO., LTD.

STATEMENT OF ACCOUNTS RECEIVABLE - NON-RELATED PARTY

DECEMBER 31, 2022

(In Thousands of New Taiwan Dollars)

Statement 3

| <u>Client Name</u> | <u>Description</u> | <u>Amount</u> |
|---------------------------------|----------------------|------------------|
| QUANG VIET ENTERPRISE CO., LTD. | Payment for goods | \$ 7,364 |
| HANDLOYAL | Payment for goods | 4,822 |
| FAR EASTERN APPAREL CO., LTD. | Payment for goods | 4,599 |
| SABRINA FASHION | Payment for goods | 2,161 |
| Others (Note) | Payment for goods | 16,603 |
| Subtotal | | 35,549 |
| Less : Loss allowance | | (1,281) |
| Total | | <u>\$ 34,268</u> |

Note : The amount of individual client included in others does not exceed 5% of the account balance.

SHINIH ENTERPRISE CO., LTD.

STATEMENT OF INVENTORIES

DECEMBER 31, 2022

(In Thousands of New Taiwan Dollars)

Statement 4

| Item | Description | Amount | |
|-----------------|-------------|-------------------|----------------------|
| | | Cost | Net Realizable Value |
| Raw materials | | \$ 64,141 | \$ 64,465 |
| Work-in-process | | 2,465 | 2,465 |
| Finished goods | | 41,687 | 56,992 |
| Total | | <u>\$ 108,293</u> | <u>\$ 123,922</u> |

SHINIH ENTERPRISE CO., LTD.

STATEMENT OF CHANGES IN INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

FOR THE YEAR ENDED DECEMBER 31, 2022

(In Thousands of New Taiwan Dollars, Thousands of Shares)

Statement 5

| Investee Company | Balance, January 1, 2022 | | Addition (Note 1) | Decrease (Note 2) | Balance, December 31 | | Net Assets Total Amount | Collateral |
|--|--------------------------|---------------------|----------------------|----------------------|----------------------|-----|----------------------------|------------|
| | Shares | Amount | | | Amount | % | | |
| SHINIH HOLDING CO., LTD. | 10,000,000 | \$ 1,788,252 | \$ 272,333 | \$ - | \$ 2,060,585 | 100 | \$ 2,060,682 | - |
| SHINIH VIETNAM COMPANY LTD. | - | 267,227 | 86,321 | (95,062) | 258,486 | 100 | 260,919 | - |
| SUNBURST INTERNATIONAL LTD. | 50,000 | 6,667 | 5,566 | - | 12,233 | 100 | 23,053 | - |
| VFT INC. | 100 | 206,246 | 63,266 | - | 269,512 | 100 | 270,344 | - |
| DONG GUAN TAIXIN FIBER PRODUCTS CO., LTD. | - | 79,805 | (37,961) | - | 41,844 | 100 | 39,812 | - |
| KUREHA (THAILAND) CO., LTD. | 37,500 | 68,200 | 22,763 | (12,753) | 78,210 | 50 | 78,210 | - |
| SHINIH FIBER PRODUCTS (SUZHOU) | - | 14,190 | 9,393 | (5,342) | 18,241 | 11 | 33,937 | - |
| TAIWAN KUREHA CO., LTD. | 55,000 | 35,309 | (8,101) | - | 27,208 | 85 | 26,999 | - |
| INTERBOND CO., LTD. | 200,000 | 1,430 | (106) | - | 1,324 | 100 | 1,324 | - |
| SHINIH USA INC. | 1,100,000 | 36,226 | 12,307 | - | 48,533 | 100 | 70,522 | - |
| | | <u>\$ 2,503,552</u> | <u>\$ 425,781</u> | <u>\$ (113,157)</u> | <u>\$ 2,816,176</u> | | <u>\$ 2,865,802</u> | |

Note 1 : Addition consists of follows :

| | |
|--|-------------------|
| Share of profit or loss of subsidiaries accounted for using equity method (Note 3) | \$ 315,394 |
| Exchange differences on translation of foreign operations | 109,351 |
| Realized gain or loss on downstream transactio | 850 |
| Share of remeasurements of defined benefit plans of subsidiaries accounted for using equity method | 186 |
| Total | <u>\$ 425,781</u> |

Note 2 : To collecting cash dividends.

Note 3 : Amounts includes \$315,874 thousand from share of profit or loss of subsidiaries accounted for using equity method and \$ (480) thousand from the deferred income tax of unrealized profit on downstream transactions recognized in parent company only financial statements.

SHINIH ENTERPRISE CO., LTD.

STATEMENT OF SHORT-TERM LOANS

DECEMBER 31, 2022

(In Thousands of New Taiwan Dollars)

Statement 6

| Creditor | Description | Amount | Contract Period | Collateral | Note |
|------------------------------------|------------------|------------|-----------------|-------------------|------|
| HUA NAN Bank | Guaranteed loans | \$ 20,000 | 2023.03.09 | Land and Building | |
| The Shanghai Commercial Bank | Guaranteed loans | 100,000 | 2023.10.12 | Land and Building | |
| Subtotal | | 120,000 | | | |
| HUA NAN Bank | Unsecured loans | 80,000 | 2023.03.09 | | |
| Taishin International Bank | Unsecured loans | 100,000 | 2023.03.14 | | |
| SINO PAC Bank | Unsecured loans | 150,000 | 2023.02.14 | | |
| Mega International Commercial Bank | Unsecured loans | 687 | 2023.01.11 | | |
| Subtotal | | 330,687 | | | |
| Total | | \$ 450,687 | | | |

Note : The unused financing amount of the loan is approximately \$751,900 thousand and the range of interest rates is 1.50% ~6.50%.

SHINIH ENTERPRISE CO., LTD.

STATEMENT OF NOTES PAYABLE

DECEMBER 31, 2022

(In Thousands of New Taiwan Dollars)

Statement 7

| <u>Client Name</u> | <u>Description</u> | <u>Amount</u> |
|-------------------------------------|----------------------|------------------|
| FAR EASTERN NEW CENTURY CORPORATION | Payment for material | \$ 8,265 |
| FAR EASTERN NEW CENTURY CORPORATION | Payment for goods | 1,607 |
| EVER GREEN ULTRASONICS CO., LTD. | | 1,972 |
| Others (Note) | | |
| Total | | <u>\$ 11,844</u> |

Note : The amount of individual client included in others does not exceed 5% of the account balance.

SHINIH ENTERPRISE CO., LTD.

STATEMENT OF ACCOUNTS PAYABLE - NON-REALTED PARTY

DECEMBER 31, 2022

(In Thousands of New Taiwan Dollars)

Statement 8

| <u>Client Name</u> | <u>Description</u> | <u>Amount</u> |
|--------------------------------------|----------------------|-----------------|
| ROHM AND HAAS TAIWAN, INC. | Payment for material | \$ 1,886 |
| SAN FANG CHEMICAL INDUSTRY CO., LTD. | Payment for material | 1,452 |
| WEI LI WANG KAI FA CO., LTD. | Payment for material | 1,441 |
| FARLEAD TECHNOLOGY CO., LTD. | Payment for material | 1,302 |
| PAI HUEY PLASTIC INDUSTRY CO., LTD. | Payment for material | 694 |
| CHAN SIEH ENTERPRISES CO., LTD. | Payment for material | 586 |
| BASF TAIWAN LTD. | Payment for material | 466 |
| Others (Note) | Payment for material | 470 |
| Total | | <u>\$ 8,297</u> |

Note : The amount of individual client included in others does not exceed 5% of the account balance.

SHINIH ENTERPRISE CO., LTD.

STATEMENT OF LONG-TERM LOANS

DECEMBER 31, 2022

(In Thousands of New Taiwan Dollars)

Statement 9

| Creditor | Description | Amount | Contract Period | Collateral | Note |
|------------------------------|------------------|------------|-----------------|-------------------|------|
| KGI Bank | Guaranteed loans | \$ 600,000 | 2024. 05. 10 | Land and Building | 2 |
| The Shanghai Commercial Bank | Guaranteed loans | 100,000 | 2025. 10. 12 | Land and Building | 3 |
| The Shanghai Commercial Bank | Guaranteed loans | 150,000 | 2027. 12. 27 | Land and Building | 4 |
| CHB Bank | Guaranteed loans | 290,000 | 2025. 01. 05 | Land and Building | 5 |
| Subtotal | | 1,140,000 | | | |
| Less : Current portion | | (166,250) | | | |
| Total | | \$ 973,750 | | | |

Note 1 : The unused financing amount of the loan is approximately \$400,000 thousand and the range of interest rates is 1.65%~2.02%

Note 2 : KGI Bank is repayment of principal at maturity.

Note 3 : Shanghai Commercial Bank repays the principal in 12 instalments with one instalments every 3 months, starting from January, 2023.

Note 4 : The Shanghai Commercial Bank repays the principal in 12 instalments with one instalments every 3 months, starting from January, 2025.

Note 5 : CHB Bank repays the principal in 24 instalments starting from February, 2023 .

SHINIH ENTERPRISE CO., LTD.

STATEMENT OF NET REVENUE

FOR THE YEAR ENDED DECEMBER 31, 2022

(In Thousands of New Taiwan Dollars)

Statement 10

| Items | QTY(in thousand) | Unit | Amount |
|------------------------------|------------------|------|------------|
| Resin cotton | 6,038 | YARD | \$ 193,921 |
| Needle-punched resin cotton | 426 | YARD | 81,386 |
| Melt spinning products | 36,124 | M | 14,204 |
| Spray-bonded nonwoven fabric | 570 | Kg | 44,344 |
| cotton fabric | 754 | YARD | 23,799 |
| Cotton pompom processing | 172 | KG | 28,930 |
| Comforter | 8 | PCE | 8,043 |
| Pillow | 21 | PCE | 3,875 |
| Melt blown products | 5,164 | YARD | 1,628 |
| Others | | | 11,001 |
| Total | | | 411,131 |
| Less: Sales return | | | (140) |
| Sales allowances | | | (1,048) |
| Sales revenue, net | | | 409,943 |
| Rental income | | | 33,983 |
| Operating revenue, net | | | \$ 443,926 |

SHINIH ENTERPRISE CO., LTD.

STATEMENT OF COST OF REVENUE

FOR THE YEAR ENDED DECEMBER 31, 2022

(In Thousands of New Taiwan Dollars)

Statement 11

| <u>Items</u> | <u>Amount</u> |
|---------------------------------------|---------------|
| Raw materials: | |
| Balance, January 1 | \$ 55,581 |
| Add: Purchase | 157,688 |
| Gain on physical inventory | 8 |
| Less: Balance, December 31 | (64,141) |
| Transferred to expenses | (13,228) |
| Sell raw materials | (4,207) |
| Raw materials consumed for the period | 131,701 |
| Direct labor | 32,745 |
| Production overheads | 123,985 |
| Manufacturing cost | 288,431 |
| Add : Work in process, January 1 | 852 |
| Less : Work in process, December 31 | (2,465) |
| Cost of finished goods | 286,818 |
| Add : Finished goods, January 1 | 25,542 |
| Purchase | 18,654 |
| Gain on physical inventory | 947 |
| Less : Finished goods, December 31 | (41,687) |
| Transferred to expenses | (8,023) |
| Scrapped losses | (71) |
| Production and marketing costs | 282,180 |
| Raw materials sold | 4,207 |
| Total cost of goods sold | 286,387 |
| Unallocated production overheads | 27,657 |
| Leasing costs | 5,803 |
| Scrapped losses | 71 |
| Gain on physical inventory | (955) |
| Total cost of revenue | \$ 318,963 |

SHINIH ENTERPRISE CO., LTD.
STATEMENT OF MANUFACTURING EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars)

Statement 12

| <u>Items</u> | <u>Amount</u> |
|---|-------------------|
| Indirect labor | \$ 33,767 |
| Depreciation | 32,437 |
| Utilities expenses | 12,236 |
| Fuel cost | 7,766 |
| Processing fee | 24,985 |
| Repair and maintenance expenses | 9,686 |
| Insurance expenses | 8,775 |
| Packaging expenses | 5,095 |
| Shipping expenses | 3,287 |
| Others | 13,608 |
| Less : Unallocated production overheads | (27,657) |
| Total | <u>\$ 123,985</u> |

SHINIH ENTERPRISE CO., LTD.

STATEMENT OF OPERATING EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2022

(In Thousands of New Taiwan Dollars)

Statement 13

| Items | Marketing | Administrative | Research and Development | Total |
|---------------------------|-----------|----------------|--------------------------|------------|
| Salaries | \$ 12,931 | \$ 71,870 | \$ 11,380 | \$ 96,181 |
| Insurance expenses | 1,474 | 5,924 | 1,978 | 9,376 |
| Depreciation | 211 | 4,111 | 36,102 | 40,424 |
| Shipping expenses | 11,358 | 149 | 1,122 | 12,629 |
| Professional service fees | 83 | 6,083 | 2,109 | 8,275 |
| Export charges | 6,942 | 262 | 368 | 7,572 |
| Sample charges | 1,400 | 51 | 8,987 | 10,438 |
| Others (Note) | 17,022 | 14,213 | 13,375 | 44,610 |
| Total | \$ 51,421 | \$ 102,663 | \$ 75,421 | \$ 229,505 |

Note : The amount of each item in others does not exceed 5% of the account balance.