



TST Group Holding Ltd.

Annual Report 2021

Published on April 17, 2022

Company Website: <http://www.tstco.com.hk>

MOPS Website: <http://mops.twse.com.tw>

Note to Readers:

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 version shall prevail.

I. Name, Title, Telephone and Email of Company Spokesperson, Deputy Spokesperson and Domestic Agent:

| | |
|---|---|
| Name of Spokesperson: Ching-Wei Lin | Title: General Manager |
| Telephone: +886-2-2507-9938 | Email address: IR@tstco.com |
| Name of Deputy Spokesperson: Hsiang-Ming Hung | Title: Chief Operating Officer (COO) |
| Telephone: +886-2-2507-9938 | Email address: IR@tstco.com |
| Name of Domestic Agent: Hsiang-Ming Hung | Title: Chief Operating Officer (COO) |
| Telephone: +886-2-2507-9938 | Email address: IR@tstco.com |

II. Address and Telephone of Headquarters, Subsidiaries and Factories

(I) The Company

Name: TST Group Holding Ltd.
Address: P.O. Box 472 Harbour Place, 2nd Floor 103 South Church Street George Town, Grand Cayman Cayman Islands KY1-1106
Website: <http://www.tstco.com.hk>
Telephone: +852-2947-0218

(II) Subsidiary in British Virgin Islands

Name: TST International Group Limited
Address: Jayla Place, 2nd Floor, P.O Box 216, Road Town Tortola, British Virgin Islands
Website: <http://www.tstco.com.hk>
Telephone: +852-2947-0218
Name: Bumper World Group Holdings Limited
Address: Jayla Place, 2nd Floor, P.O Box 216, Road Town Tortola, British Virgin Islands
Website: <http://www.tstco.com.hk>
Telephone: +852-2947-0218

Name: Thrive Nation Group Limited

Address: Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG1110, British Virgin Islands
Website: <http://www.tstco.com.hk>
Telephone: +852-2947-0218

(III) Subsidiary in Hong Kong

Name: Top Star Textile Limited
Address: Room 1301, 13F, New East Ocean Centre, 9 Science Museum Road, Kowloon, Hong Kong
Website: <http://www.tstco.com.hk>
Telephone: +852-2947-0218

(IV) Subsidiary in China

Name: Chintex Enterprises Limited
Address: Room 3076, Building B, No. 555, Dongchuang Rd., Minxing Dist., Shanghai City
Website: <http://www.tstco.com.hk>
Telephone: +8621-3251-3055
Name: Guangzhou Runwell Knits Textile
Address: Room 712 (self-organized), Level 7, No. 140-148, Tiyu E. Rd., Tianhe Dist., Guangzhou City
Website: <http://www.tstco.com.hk>
Telephone: +8620-3887-8266
Name: Guangzhou Chintex Management Consulting Co., Ltd.
Address: Room 1911, No.140-148, Tiyu E. Road, Tianhe Dist., Guangzhou City
Website: <http://www.tstco.com.hk>
Telephone: +8620-3887-8258

(V) Subsidiary in Cambodia

Name: Top Sports Textile Ltd.
Address: Manhattan (Svay Rieng) Special Economic Zone, National Road# 1, Sangkat Bavet, Krong Bavet, Svay Rieng Province, Cambodia
Website: <http://www.tstco.com.hk>
Telephone: +855-44-715-188

- (VI) Office in Taiwan
Name: TST Group Holding Ltd.
Address: 7F, No. 178, Sec. 2, Nanjing E. Rd., Zhongshan Dist., Taipei City 104
Website: <http://www.tstco.com.hk>
Telephone: +886-2-2507-9938
- (VII) Subsidiary in Vietnam
Name: TOP STAR TEXTILE VIETNAM COMPANY LIMITED
Address: Road No. 3, Xuyen A Industrial Park, My Hanh Bac Commune, Duc Hoa District, Long An province, Vietnam
Website: <http://www.tstco.com.hk>
Telephone: +84-90-892-6858
Name: Top Sports Textile Vietnam Co., Ltd
Address: Lot No. B17.1, Street N11, Thanh Thanh Cong Industrial Zone, An Hoi Quarter
Website: <http://www.tstco.com.hk>
Telephone: +84-28-3962-6698
- III. Names, titles, telephone numbers and emails of the representatives for litigations and for non-litigation matters in the Republic of China:
Name: Hsiang-Ming Hung
Title: Chief Operating Officer (COO)
Telephone: +886-2-2507-9938
Email: IR@tstco.com
- IV. Name, Address, Website and Telephone of Transfer Agency:
Name: Transfer Agency of CTBC
Website: <http://www.ctbcbank.com.tw>
Address: 5F., No.83, Sec. 1, Chongqing S. Rd., Zhongzheng Dist., Taipei City
Telephone: +886-2-6636-5566
- V. Name of CPA for the latest certified annual financial statements; Name, Address, Website and Telephone of Accounting Firm:
Name of CPA: Man-Yu Juanlu, Ya-Hui Lin
Name of Accounting Firm: PwC Taiwan
Website: <http://www.pwc.tw>
Address: 27F, No.333, Sec. 1, Keelung Rd., Xinyi Dist., Taipei City
Telephone: +886-2-2729-6666
- VI. Name of stock exchange for overseas listed securities and method for enquiry of overseas securities information: None
- VII. Company Website: <http://www.tstco.com.hk>
- VIII. List of Board of Directors

| Title | Name | Representative |
|----------|--------------------------------|--------------------|
| Chairman | Xingmao Group Holdings Limited | Chin-Mao Lin |
| Director | Chia Mei Investment Co., Ltd. | Chiung-Shiung Tung |
| Director | Ching-Wei Lin | - |
| Director | Hsiang-Ming Hung | - |

| Title | Name | Nationality | Academic Qualifications/Experience |
|----------------------|----------------|-------------------|---|
| Independent Director | King-Biau Lien | Republic of China | President, Tuntex Incorporation Independent Director, Tainan Enterprises Co., Ltd. |
| Independent Director | Kun-Ming Lee | Republic of China | Independent Director, The Leofoo Development Co., Ltd. Director, Castles Technology Co., Ltd. CPA Partner, K & B CPAs Firm |
| Independent Director | Heng-Yih Liu | Republic of China | Independent Director, The Leofoo Development Co., Ltd. Independent Director, WHA YU Industrial Co., Ltd. Supervisor, Sinfu Asset Management Company Full-time Associate Professor, College of Management, Yuan Ze University |

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One. Letter to Shareholders

Dear Shareholders:

In 2021, governments around the world implemented large-scale relief and revitalization measures in order to accelerate the fight against COVID-19. Whilst the economic growth is boosted by demand, the pandemic is pushing up inflation. Meanwhile, the disruption of the global supply chain due to COVID-19 is causing a supply shortage. Inflation pressure is mounting in all countries as a result of demand and supply imbalance. The continued surge of food and energy prices is particularly straining on consumption. Finally, the loose fiscal and monetary policies around the world are bolstering inflation further.

The global shortage of labor and containers, the demand growth at a too high speed, the rapid increase of supply chain costs and the natural resources subject to the weather influence are all contributing to rising costs of cotton yarn, the main raw material for our production. The cost pressure is posing a difficult challenge to our operation. Going forward, we will create a product portfolio of high added value and deepen our relation and cooperative ties with brand customers. We strive for steady growth amid the environmental uncertainties hand-in-hand with our customers.

(1) Overview of 2021 Business Plan Implementations and Explanation of Operating Results and Achievements

1. Implementation of 2021 Business Plan

- (1) Acceleration of capacity increase in Southeast Asia: We continued to invest in the addition and renewal of equipment at the plants in Cambodia, in order to increase the capacity. Our in-house capacity ratio is about to exceed 50%. As the pandemic eases off in Vietnam, we are driving the establishment of the vertically integrated plant for weaving and dying. The ramp-up is scheduled for the second half of 2023 at the earliest.
- (2) Development of new Chinese brand customers: By leveraging our local advantage in China, we have entered the supply chain for multiple fashion brands. We continue to deepen our customer relations.

2. Achievements of Implementation of 2021 Business Plan and Execution of Budget

The Company posted net sales of NT\$7,418 million in 2021, up by 37.65% or NT\$2,029 million from 2020. The operating profit was NT\$408 million in 2021, down by 26.48% or NT\$147 million from 2020. The net income reached NT\$336 million in 2021, down by 19.21% or NT\$80 million from 2020. The earnings per share was NT\$10.72 in 2021.

Comparison with guidance:

According to the Regulations Governing the Publication of Financial Forecasts of Public Companies, the Company did not provide financial forecast for 2021. Hence, there is no comparison with guidance.

3. Income Statement and Profitability Analysis

Unit: NT\$1,000

| Item | | Year | 2021 | 2020 |
|----------------------------|---|------|-----------|-----------|
| Income Statement (Summary) | Revenues | | 7,418,374 | 5,389,194 |
| | Gross profits | | 1,084,222 | 1,169,454 |
| | Operating profits | | 408,041 | 555,037 |
| | Current profit/loss after-tax | | 336,132 | 416,040 |
| Profitability | Return on assets (%) | | 7.69 | 10.48 |
| | Return on equity (%) | | 13.70 | 17.50 |
| | Operating profits as a percentage of paid-in capital (%) | | 129.54 | 176.20 |
| | Net profits before-tax as a percentage of paid-in capital (%) | | 131.00 | 170.65 |
| | Net margin (%) | | 4.53 | 7.72 |
| | Basic EPS (NT\$) | | 10.72 | 13.25 |

(2) 2022 Business Plan

1. Industry integration

We have signed the letter of intent to acquire a ready-made garment factory in China and we have been busy engaging our brand customers for facilities validation and pattern making. The mid-to-downstream integration in production and the entry into the ready-made garment market are among our goals for listing. Industry integration increases gross profits and indicates the long-term positive outlook for the industry. The integration from in-house fabrics to ready-made garment manufacturing reduces attritions and strengthens cost control, to create higher profits for the Company.

2. Multi-site production strategy

The pandemic has caused tremendous effects on global industries. The consolidation of the supply chain for brands is accelerating and big players become bigger. The importance of multi-site production strategy is evident given the uncertainty of individual sites due to COVID-19. The earlier impact of the production suspension in Vietnam on the textile industry as a whole is a case in point. In addition to the existing in-house capacities and the capacity under construction in Vietnam, we will keep a close eye on other possible regions for production over the next five years. Multi-site strategy is our priority and pursuit going forward.

(3) R&D Initiatives for 2022

To meet with the need of branded customers, we develop fabrics and improve a diversity of new fabrics by optimizing and bettering existing manufacturing processes and materials utilization. The purpose is to provide a portfolio of new products differentiated and with high value added.

Finally, allow me to wish all our shareholders all the best. Thanks for your support.

LIN, CHIN-MAO

Chairman

XINGMAO GROUP HOLDINGS LIMITED

Two. Company Profile

I. **Establishment:** May 21, 2013

II. **Company background**

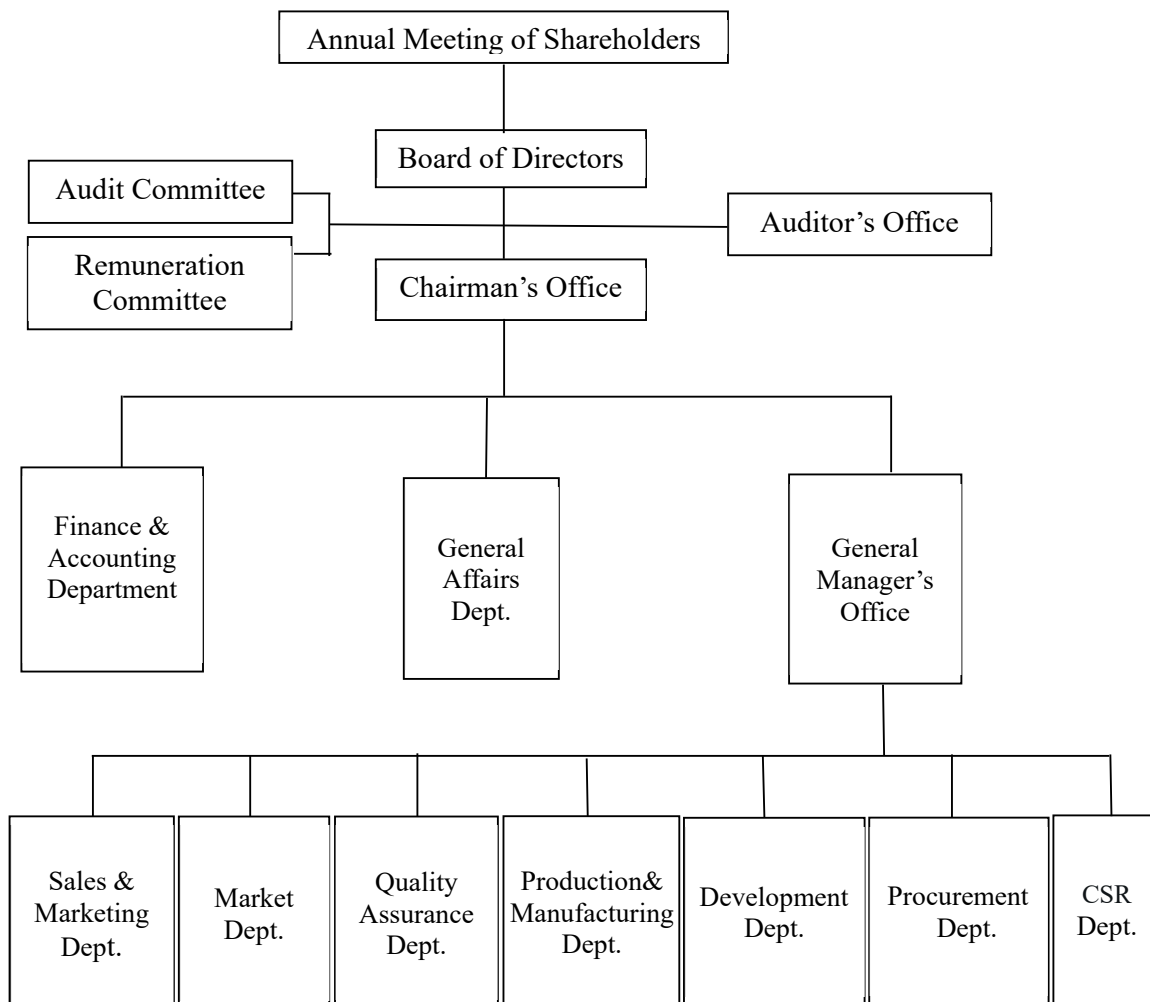
TST Group Holding Ltd. (the Company), incorporated on May 21, 2013 in the Cayman Islands, is primarily engaged in the manufacturing, processing, and marketing of knitted fabrics.

| Year | Milestone |
|------|---|
| 1995 | Jupiter Textile Company Limited was established in Hong Kong in 1991 and renamed Top Star Textile Limited in 1995. |
| 1995 | Offices were set up in Guangdong, China, as the beginning of our supply chain in the coastal region of Southern China. |
| 1997 | We became Adidas's designated supplier for fabrics. |
| 2002 | We collaborated with Wuhan Textile University by hiring its professors as our advisors in technology, education, and talent pipeline. |
| 2003 | Offices were set up in Shanghai, China, as the beginning of our supply chain in the coastal region of Eastern China. |
| 2006 | Taiju Textile (Shanghai) was established in Shanghai. |
| 2009 | As Li Ning shifted its supply chain to Central China, we invested in Hubei LPV Sports Co., Ltd. as the entry point into ready-garment manufacturing. We also started to build our supply chain in Hubei, Central China. |
| 2011 | We established Top Sports Textile Ltd.. (100% owned) in Manhattan Special Economic Zone (SEZ) in Svay Rieng Province, Cambodia. This vertically integrated dyeing and finishing facility marked the beginning of our production in South East Asia. |
| 2015 | We worked with Wuhan Textile University for R&D and patent technology. |
| 2019 | We completed a cash injection of NT\$50 million in February to increase our paid-in capital to NT\$280 million. The Board of Directors approved the expansion project for Top Sports Textile Ltd. As required for business, we set up a subsidiary in Vietnam, Top Star Textile Vietnam Company Limited, via TST International Group Limited. T-Young International Industrial Limited completed its liquidation. We issued 3.5 million new shares before IPO, to bring our paid-in capital to NT\$315 million. In December, the Company was successfully listed on the Taiwan Stock Exchange. |
| 2020 | Buy back 151,000 treasury shares. We established a new subsidiary, Thrive Nation Group Limited, through TST International Group Limited. The board of directors approved for the building of a weaving & dyeing factory in Vietnam. The estimated investment amount was US\$35,000 thousand. |
| 2021 | We reinvested and established a new subsidiary in Vietnam, Top Sports Textile Vietnam Co., Ltd. through Thrive Nation Group Limited. The Board of Directors of the Company resolved to increase US\$20,000 thousand for the investment in the construction of the Vietnam factory, totaling the investment amount was US\$55,000 thousand. |
| 2022 | The Board of Directors of the Company resolved to sign the memorandum which acquires a 100% equity interest in Zhenjiang Dongfeng Garment Co., Ltd. located in Jiangsu Province, China from Tuntex Incorporation (B.V.I) Co., Limited through TST International Group Limited. |

Three. Report on Corporate Governance

I. Organization

(I) Company structure



(II) Departments & Functions

| Department | Functions |
|---|---|
| Board of Directors | Implementation of decisions by shareholder meetings and formation of business plans and investment projects within the scope authorized by shareholder meetings. |
| Remuneration Committee | Design and periodical review of the performance of directors and managers, and the policy, system, standard and structure of wages and compensations. Regular assessment and decision of the remunerations (contents and amounts) to directors and managers and suggestion to the Board of Directors accordingly. |
| Audit Committee | Oversight of the group's business and financials, the appropriate representation of financial statements and the effectiveness of internal control systems. |
| Chairman's Office General Manager's Office | Establishment and strengthening of the group's management system and organizational structure; execution of proposals approved by the Board of Directors; management of company affairs; realization of management and development goals for the group. |

| Department | Functions |
|---------------------------------------|--|
| Auditor's Office | Supervision and implementation of audits in different departments and internal control mechanisms, development of improvement measures and follow up with the progress of such measures. |
| Sales & Marketing Department | Production marketing in the global market and collection of customer data. |
| General Affairs Department | Human resources management, administration, legal affairs, information management, business ethics, environmental protection, policing, labor health and safety. |
| Finance & Accounting Department | Bookkeeping, formulation and implementation of accounting policies, capital planning and working capital management. |
| Market /Development Department | Product R&D, new product risk assessment, manufacturing process design and introduction, collection and management of product R&D information, development and analytics of new recipes, analysis, and improvement of manufacturing processes. |
| Quality Assurance Department | <ol style="list-style-type: none"> 1. Planning, quality assurance and after-sale services, ISO system maintenance and advocacy, laboratory certification and quality management. 2. Product instruction, testing and validation at customer sites, product feedback and improvement measures and reporting to management accordingly. |
| Production & Manufacturing Department | <ol style="list-style-type: none"> 1. Control and management of production progress, quality, new product manufacturing processes and status. 2. Rostering of production schedules and management of contractors. |
| Procurement Department | Procurement of raw materials and control of inventory levels |
| CSR Department | <ol style="list-style-type: none"> 1. To establish the direction and goals on the future strategy of social responsibility and sustainable development of the company, and to integrate resources, establish systems and promote the relative matters 2. To assist and guide those relevant units in the establishment and implementation of social responsibility and sustainable development management mechanisms. 3. The integration management on audit, feedback and improvement promotion of social responsibility and sustainable development. 4. To assist clients' in inspecting plants and support the production areas on how to co-ordinate for clients' inspection on plant; the coordination and reply on the relative improvement after plant inspection; and to cooperate with factories to upgrade the performance of plant inspection. 5. Project planning, coordination, handling and feedback on important social responsibility issues. |

II. Information on the Directors, Supervisors, General Manager, Vice General Managers, Senior Managers and the Managers of Each Department and Branch

(I) Information on Directors and Supervisors

1. Names, education, experience, shareholdings, and nature of such shareholders of directors (no supervisors in the Company)

As of April 17, 2022 ; Unit: shares ; %

| Title | Name | Gender Age | Nationality or registration place | Date First Elected (yy/mm/dd) | Date Elected (yy/mm/dd) | Term | Shareholdings When Elected | | Current Shareholdings | | Spouse, Minor Children Current Shareholding | | Shareholding by Nominee Arrangement | | Main Experience (Education) | Current Positions in this Group and Other Companies | Other Managers, Directors or Supervisors who are spouses or within two degrees of kinship | | | R e m a r k |
|----------|-----------------------------------|---------------|--|-------------------------------------|----------------------------|-------|-------------------------------|-------|-----------------------|-------|--|---|---|-------|---|---|--|------|----------|----------------------------|
| | | | | | | | Shares | % | Shares | % | Shares | % | Shares | % | | | Title | Name | Relation | |
| Chairman | Xingmao Group Holdings Limited | - | Hong Kong | | | | 10,640,000 | 46.26 | 10,640,000 | 33.78 | - | - | - | - | - | - | - | - | - | - |
| | Representative: : Chin-Mao Lin | M (51-60) | ROC | 2019.01.09 | 2019.01.09 | 3 yrs | 2,885,000 | 10.30 | 2,570,000 | 8.16 | - | - | 13,630,000 (Note1) | 43.27 | Study in Dept. of Commerce, Daojiang High School of Commerce Chairman of Pong Fu (Shanghai) Investment Consulting Co., Ltd. | Chairman of Top Star Textile Ltd · Top Sports Textile Ltd · Bumper World Group Holdings Limited and TST International Group Limited Chairman of Domus Limited Chairman of Tat Cheong International Company Limited Chairman of Wise Sky International Limited Chairman of Chintex Investment Company Limited Chairman of Happy Time International Investment Limited Chairman of Big Loyal Group Limited Chairman of Xingmao Group Holdings Limited Chairman of Numerous Stars Limited Director of NEWA INSURANCE (CAMBODIA) PLC. Chairman of Pong Fu (Shanghai) Investment Consulting Co., Ltd. Director of Pong Fu (Shanghai) Investment Co., Ltd. President of TST Group Holding Ltd. | - | - | - | - |

| Title | Name | Gender Age | Nationality or registration place | Date First Elected (yy/mm/dd) | Date Elected (yy/mm/dd) | Term | Shareholdings When Elected | | Current Shareholdings | | Spouse, Minor Children Current Shareholding | | Shareholding by Nominee Arrangement | | Main Experience (Education) | Current Positions in this Group and Other Companies | Other Managers, Directors or Supervisors who are spouses or within two degrees of kinship | | | R e m a r k |
|-------------------------|--|---------------|--|-------------------------------------|----------------------------|-------|-------------------------------|------|-----------------------|------|--|---|---|------|--|--|--|------|----------|----------------------------|
| | | | | | | | Shares | % | Shares | % | Shares | % | Shares | % | | | Title | Name | Relation | |
| Director | Ching-Wei Lin | M (41-50) | ROC | 2019.05.27 | 2019.05.27 | 3 yrs | 90,000 | 0.32 | 90,000 | 0.29 | - | - | 1,380,000 (Note 2) | 4.38 | Study in Bachelor of Social Sciences in the University of Natal Vice General Manager of Sales of Top Star Textile Limited | General Manager & R&D Chief of TST Group Holding Ltd. Director of Sunny Earn International Holdings Limited Director & General Manager of Top Star Textile Ltd. | - | - | - | |
| Director | Hsiang-Ming Hung | M (41-50) | ROC | 2019.05.27 | 2019.05.27 | 3 yrs | 80,000 | 0.29 | 79,000 | 0.25 | - | - | - | - | Bachelor of Dept. of Information Management, Da-Yei University Vice General Manager of Chintex Enterprises Limited | COO of TST Group Holding Ltd. COO of Top Star Textile Ltd. | - | - | - | - |
| Director | Chia Mei Investment Co., Ltd. | - | ROC | 2019.05.27 | 2019.05.27 | 3 yrs | 150,000 | 0.54 | 150,000 | 0.48 | - | - | - | - | - | - | - | - | - | |
| | Representative : Chiung-Shiung Tung | M (81-90) | ROC | | | | | | | | | | | | Bachelor of Dept. of Business Administration, National Taipei University Representative of the juristic- person Chairman of Toshiba International Co., Ltd. | Representative of the juristic-person Director of Abico Plus Entertainment Limited. Representative of the juristic-person Director and Supervisor of Ability International Co., Ltd. Representative of the juristic-person Director of Ability Investment Co., Ltd. Representative of the juristic-person Director of Ability Enterprise Co., Ltd. Representative of juristic-person Supervisor of Toshiba International Co., Ltd. | | | | |
| Independent Director | King-Biau Lien | M (71-80) | ROC | 2019.01.09 | 2019.01.09 | 3 yrs | - | - | - | - | - | - | - | - | Bachelor of Dept. of Statistics, NCCU Executive President of Tuntex Incorporation | Independent Director, Tainan Enterprises Co., Ltd. | - | - | - | - |

| Title | Name | Gender Age | Nationality or registration place | Date First Elected (yy/mm/dd) | Date Elected (yy/mm/dd) | Term | Shareholdings When Elected | | Current Shareholdings | | Spouse, Minor Children Current Shareholding | | Shareholding by Nominee Arrangement | | Main Experience (Education) | Current Positions in this Group and Other Companies | Other Managers, Directors or Supervisors who are spouses or within two degrees of kinship | | | R e m a r k |
|-------------------------|--------------|---------------|--|-------------------------------------|----------------------------|-------|-------------------------------|---|-----------------------|---|--|---|---|---|---|---|--|------|----------|----------------------------|
| | | | | | | | Shares | % | Shares | % | Shares | % | Shares | % | | | Title | Name | Relation | |
| Independent Director | Kun-Ming Lee | M (41-50) | ROC | 2019.01.09 | 2019.01.09 | 3 yrs | - | - | - | - | - | - | - | - | Master of Business Administration - Tiffin University Assistant Manager of Deloitte & Touche CPA Partner, K & B CPAs Firm | Independent Director, The Leofoo Development Co., Ltd. Director of Castles Technology Co., Ltd. CPA Partner of K & B CPAs Firm | - | - | - | - |
| Independent Director | Heng-Yih Liu | M (51-59) | ROC | 2019.01.09 | 2019.01.09 | 3 yrs | - | - | - | - | - | - | - | - | Ph.D., Dept. of International Business, National Taiwan University Independent Director of The Leofoo Development Co., Ltd. | Independent Director, The Leofoo Development Co., Ltd. Independent Director, WHA YU Industrial Co., Ltd. Supervisor, Sinfu Asset Management Company Full-time Associate Professor, College of Management, Yuan Ze University | - | - | - | - |

Note 1: Chin-Mao Lin owns 100% of Xingmao Group Holdings Limited, 100% of Big Loyal Group Limited and 100% of Happy Time International Investment Limited.

Note 2: Ching-Wei Lin owns 100% of Sunny Earn International Holdings Limited.

2. Major shareholders of juristic person shareholders:

As of April 17, 2022

| Name of juristic person shareholder | Major shareholders of juristic person shareholders |
|-------------------------------------|--|
| Xingmao Group Holdings Limited | Chin-Mao Lin (100%) |
| Chia Mei Investment Co., Ltd. | Yi-Chun Tung (20.00%); Chun-Jen Tung (20.00%); Chun-Yi Tung (20.00%); Chiung-Shiung Tung (12.50%); Su-Ching Tung Yang (12.50%); Pei-Yu Chen (5.00%); Hsiao-Chi Chang (5.00%); Hsin-Yi Chou (5.00%) |

3. Where the major shareholder of juristic person shareholders is a representative of juristic person shareholder: None

4. Expertise and independence of directors and supervisors

| Name | Terms | Meet One of the Following Professional Qualification Requirements, Together with at Least Five Years Work Experience | | | Independence Information (Note) | | | | | | | | | | | | Number of the Other Public Companies in Which the Concerned Director Acts Concurrently as an Independent Director |
|--|-------|--|--|---|---------------------------------|---|---|---|---|---|---|---|---|----|----|----|---|
| | | An instructor in or a higher position in a department of commerce, law, finance, accounting, or other academic department related to the business needs of the company in a public or a private junior college, college, or university | A judge, public prosecutor, attorney, certified public accountant, or other professional or technical specialists who has passed a national examination and been awarded a certificate in a profession necessary for the business of the company | Have work experience in the area of commerce, law, finance, or accounting, or otherwise necessary for the business of the company | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | |
| Xingmao Group Holdings Limited Representative: Chin-Mao Lin | - | - | ✓ | | - | - | - | ✓ | - | ✓ | ✓ | ✓ | ✓ | - | ✓ | - | - |
| Ching-Wei Lin | - | - | ✓ | | - | - | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | - |
| Hsiang-Ming Hung | - | - | ✓ | | - | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | - |
| Chia Mei Investment Co., Ltd. Representative: Chiung-Shiung Tung | - | - | ✓ | | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | - | ✓ | - | - |
| King-Biau Lien | - | - | ✓ | | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | 1 |
| Kun-Ming Lee | - | ✓ | ✓ | | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | 1 |
| Heng-Yih Liu | ✓ | - | ✓ | | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | 2 |

- (1) Not an employee of the company or any of its affiliates.
- (2) Not a director or supervisor of the company or any of its affiliates. (This, nevertheless, does not apply to cases where the person is an independent director of the Company, its parent company or any subsidiary or a subsidiary with same parent company where the independent directors perform multiple duties concurrently among themselves in accordance with the Act or the laws and regulations of the local country).
- (3) Not a natural person shareholder who holds shares, together with those held by the person's spouse, minority or held by the person under others' names, in an aggregate amount of 1% or more of the total number of outstanding share of the company or rank as top-10 shareholders.
- (4) Not a manager specified under (1) or not a spouse, relative within the second-degree relatives, or lineal relative within the third degree by blood of any of the personnel specified under (2) and (3).
- (5) Not as a director, supervisor or an employee who directly holds more than 5% of the Company's total issued shares, the top five shareholders or representative designated to serve as a director or a supervisor of a corporate shareholder in accordance with Paragraphs 1 or 2 under Article 27 of the Company Act (This, nevertheless, does not apply to cases where the person is an independent director of the Company, its parent company or any subsidiary or a subsidiary with same parent company where the independent directors perform multiple duties concurrently among themselves in accordance with the Act or the laws and regulations of the local country).

- (6) Not as a director, supervisors or an employee of another company controls another company and the Company's directors or voting shares with one half majority (This, nevertheless, does not apply to cases where the person is an independent director of the Company, its parent company or any subsidiary or a subsidiary with same parent company where the independent directors perform multiple duties concurrently among themselves in accordance with the Act or the laws and regulations of the local country).
- (7) Not as a director (trustee), supervisor (supervising officer) or employee of another company or institution as the same person or the spouse thereof of the Company's chairman, general manager (Chief Executive Officer (CEO)) or person of equivalent position (This, nevertheless, does not apply to cases where the person is an independent director of the Company, its parent company or any subsidiary or a subsidiary with same parent company where the independent directors perform multiple duties concurrently among themselves in accordance with the Act or the laws and regulations of the local country).
- (8) Not as a director (trustee), supervisor (supervising officer), manager or a shareholder holding more than 5% of the shares of a specific company or institution in financial or business transaction with the Company (This, nevertheless, does not apply to a specific company or institution which holds more than 20%, less than 50% of the aggregate total outstanding shares of the Company, and where the company and its parent company, subsidiary or a subsidiary with the same parent company where the independent directors perform multiple duties concurrently among themselves according to the Act or the laws prevalent locally.)
- (9) Not as the professionals, the enterprise proprietor, partner, director (trustee), supervisor (supervisory officer), manager and the spouse thereof of sole proprietors, partners, companies or institutions rendering auditing, commercial, legal, financial, accounting and such relevant services to the Company or affiliated enterprises thereof with remuneration obtained over the past two years not beyond NT\$500,000. This, nevertheless, does not apply to a member of the Open Acquisition Committee, Remuneration Committee or Special Merger/Acquisition (M&A) Committee in accordance with Securities and Exchange Act, Business Mergers and Acquisitions Act and relevant laws.
- (10) Not in a relationship as spouse or a relative within the second degree of kinship with any other directors.
- (11) Not been a person or any conditions defined in Article 30 of the Company Act.
- (12) Not under Article 27 of the Company Act with government, juristic person or the representative thereof successfully elected.

5. Board diversity and independence

(1) Board diversity:

a. Diversity policy:

Diversity of the Board of Directors: According to the operation points of corporate governance and the procedure of director election at the Company, the election of directors at the Company must consider the overall arrangement of the Board of Directors. The members of the Board of Directors must be equipped with knowledge, skills and literacy required by the duty execution. The overall abilities must include abilities of operation judgment, accounting and finance analysis, operation management, crisis handling, industry knowledge, prospective of international market, leadership and decision-making. The nomination and election of the members of the Board of Directors at the Company abide by company regulations, adopting the system of candidate nomination. Apart from the evaluation of candidate education, experience and qualification, consult stakeholders and comply with "Procedures for Election of Directors" and "Corporate Governance Best Practice Principles" to ensure the diversity and independence of the members of the Board of Directors.

b. Specific management goals:

The board of directors of the Company shall guide the company's strategy, supervise the management, and be accountable to the Company and its shareholders. The various procedures and arrangements of the corporate governance system shall ensure that, in exercising its authority, the board of directors complies with laws, regulations, the Articles of Incorporation, and the resolutions adopted by the shareholder meetings. All directors of the Company have the necessary knowledge, skills, literacy and industry decision-making and management capabilities to carry out business.

c. The current implementation of diversity among board members is as follows:

The Company's first 7 directors list, including 3 members, who are Ching-Wei Lin and Hsiang-Ming Hung and the representative of Xingmao Group Holdings Limited Chin-Mao Lin, that have been deeply involved in the industry for a long time, have deep industry knowledge, and have international market views on operation and management. Good at commercial and financial affairs, the representative of Chia Mei Investment Co., Ltd. Chiung-Shiung Tung. The three independent directors are good at industry knowledge, accounting and finance, and business management, namely King-Biau Lien, Kun-Ming Lee and Heng-Yih Liu.

The proportion of directors who are employees of the company is 43%, and the proportion

of independent directors is 43%. 2 directors are over 70-year-old, 2 directors are 51-60-year-old, and 3 directors are under 50-year-old.

The current Please refer to the " The diversity of the board composition and the tasks carried out by board directors" on page 31 for relevant diversification implementation.

(2) Board independence:

Independence of the Board of Directors: The Board of the Company is composed of 7 Directors with experience operating companies or academic related experience, including 3 Independent Directors (taking up 43% of all Board members). An Audit Committee and Remuneration Committee involving all Independent Directors have been established for collaborating with the Board for decision making.

The Company has obtained written statements from three of the Independent Directors, which indicate that they fulfill the criteria in as regulated in Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies, and they follow regulations specified in Provision 14 item 2 of Securities and Exchange Act.

None of the above 3 independent directors concurrently serving as more than independent director of three companies which is other public offering companies

The Company is not engaged in businesses with the companies where they serve as Independent Directors. Also, a review on report of internal personnel indicates that none of the 7 Directors are spouses of or relatives within second degree kinship of the other Directors. Thus, it is regarded that the Company's Independent Directors can remain unbiased while performing their duties.

(II) Information on General Manager, Vice General Managers, Senior Managers and the Managers of Each Department and Branch

As of April 17, 2022 ; Unit: shares ; %

| Title | Name | Gender | Nationality | Date Effective (yy/mm/dd) | Shareholdings | | Spouse, Minor Children Current Shareholding | | Shareholding by Nominee Arrangement | | Main Experience (Education) | Current Positions in Other Companies | Other Managers, Directors or Supervisors who are spouses or within two degrees of kinship | | | R e m a r k |
|----------------------------------|---------------------|--------|-------------|------------------------------|---------------|------|---|---|---|-------|---|--|---|------|----------|----------------------------|
| | | | | | Shares | % | Shares | % | Shares | % | | | Title | Name | Relation | |
| President | Chin-Mao Lin | M | ROC | 1992.01 | 2,570,000 | 8.16 | - | - | 13,630,000 | 43.27 | Study in Dept. of Commerce, Daojiang High School of Commerce Chairman of Pong Fu (Shanghai) Investment Consulting Co., Ltd. | Chairman of Tat Cheong International Company Limited Chairman of Wise Sky International Limited Chairman of Chintex Investment Company Limited Chairman of Happy Time International Investment Limited Chairman of Big Loyal Group Limited Chairman of Xingmao Group Holdings Limited Chairman of Numerous Stars Limited Director of NEWA INSURANCE (CAMBODIA) PLC. Chairman of Pong Fu (Shanghai) Investment Consulting Co., Ltd. Director of Pong Fu (Shanghai) Investment Co., Ltd. President of TST Group Holding Ltd. | - | - | - | - |
| General Manager | Ching-Wei Lin | M | ROC | 2000.04.01 | 90,000 | 0.29 | - | - | 1,380,000 | 4.38 | Study in Bachelor of Social Sciences in the University of Natal Vice General Manager of Sales of Top Star Textile Limited | Director of Sunny Earn International Holdings Limited Director & General Manager of Top Star Textile Ltd. | - | - | - | - |
| Chief Operating Officer (COO) | Hsiang-Ming Hung | M | ROC | 2000.11.01 | 79,000 | 0.25 | - | - | - | - | Bachelor of Dept. of Information Management, Da-Yeh University Vice General Manager of Chintex Enterprises Limited | COO of Top Star Textile Ltd. | - | - | - | - |
| Chief Financial Officer (CFO) | Tang Tat Shing | M | HK | 2017.03.01 | 30,000 | 0.10 | - | - | - | - | Immaculate Heart of Mary College Audit Manager of James K.K. Chan & Co. CPA, ERIC T. S. TANG & CO. Certified Public Accountant of Bright Brilliance CPA Limited | CFO of Top Star Textile Ltd | - | - | - | - |
| Audit Supervisor | Wang Jing-Yi | F | ROC | 2017.03.01 | 30,000 | 0.10 | - | - | - | - | Bachelor of Business Administration in Accounting, Chung Yuan Christian University Audit Manager of PwC Taiwan | - | - | - | - | - |

III. Remuneration Paid to Directors, Supervisors, General Manager and Vice General Managers in the most recent year

(I) Remuneration Paid to general Directors, Independent Directors, Supervisors, General Manager and Vice General Managers in the most recent year (2021)

1. Remuneration of general Directors & Independent Directors

Unit: NT\$ thousand ; thousand shares

| Title | Name | Directors' Remuneration | | | | | | | | Ratio (%) of the Aggregate Amount of A, B, C and D to the Net Income After-Tax (Note 1) | | Remuneration Received by Concurrent Employees | | | | | | | | Ratio (%) of the Aggregate Amount of A, B, C, D, E, F and G to the Net Income After -Tax (Note 1) | | Receiving Remuneration from any Investees or parent company other than the Subsidiaries of the Company |
|----------------------|------------------------------------|-------------------------|---|-------------|---|---|---|--------------------------------------|---|---|---|---|---|-------------|---|--|---|-------------|---|---|------|--|
| | | Remuneration (A) | | Pension (B) | | Directors' Remuneration from the Distribution of Earnings (C) | | Fees for Performance of Business (D) | | | | Wages, Bonus and Special Allowance, etc. (E) | | Pension (F) | | Employee Bonus from the Distribution of Earnings (G) | | | | | | |
| | | The Company | All Companies Specified in the Financial Statements | The Company | All Companies Specified in the Financial Statements | The Company | All Companies Specified in the Financial Statements | The Company | All Companies Specified in the Financial Statements | The Company | All Companies Specified in the Financial Statements | The Company | All Companies Specified in the Financial Statements | The Company | | All Companies Specified in the Financial Statements | | The Company | All Companies Specified in the Financial Statements | | | |
| | | | | | | | | | | | | | | | | | | | | | | |
| Chairman | Xingmao Group Holdings Limited | - | 480 | - | - | - | - | - | 60 | - | 0.16 | - | - | - | - | - | - | - | - | - | 0.16 | - |
| | Representative: Chin-Mao Lin | - | - | - | - | - | - | - | - | - | - | - | 13,856 | - | - | - | - | - | - | - | 4.12 | - |
| Director | Ching-Wei Lin | - | 480 | - | - | - | - | - | 60 | - | 0.16 | - | 18,000 | - | - | - | - | 1,698 | - | - | 6.02 | - |
| Director | Hsiang-Ming Hung | - | 480 | - | - | - | - | - | 60 | - | 0.16 | - | 16,111 | - | - | - | - | 1,697 | - | - | 5.46 | - |
| Director | Chia Mei Investment Co., Ltd. | - | 480 | - | - | - | - | - | 60 | - | 0.16 | - | - | - | - | - | - | - | - | - | 0.16 | - |
| | Representative: Chiung-Shiung Tung | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Independent Director | King-Biau Lien | - | 720 | - | - | - | - | - | 60 | - | 0.23 | - | - | - | - | - | - | - | - | - | 0.23 | - |
| Independent Director | Kun-Ming Lee | - | 720 | - | - | - | - | - | 60 | - | 0.23 | - | - | - | - | - | - | - | - | - | 0.23 | - |
| Independent Director | Heng-Yih Liu | - | 720 | - | - | - | - | - | 60 | - | 0.23 | - | - | - | - | - | - | - | - | - | 0.23 | - |

The remuneration of independent directors of the company refers to the company's overall operating performance, future business risks and development trends of the industry, and also refers to the individual's performance achievement rate and contribution to the company's performance. Reasonable remuneration is provided. The relevant performance appraisal and remuneration are reasonable. The compensation will be paid after being reviewed by the Remuneration Committee and submitted to the board of directors for resolution.

2. Remuneration to Supervisor: This Company has established the Audit Committee so that there is no supervisor.
3. Remuneration to General Manager and Vice General Manager

Unit: NT\$ thousand

| Title | Name | Wages (A) | | Pension (B) (Note) | | Bonus and Special Allowance t, etc. (C) | | Employee Bonus Amount from Earnings Distribution (D) | | | | Ratio (%) of the Aggregate Amount of A, B, C and D to the Net Income After-Tax | | Receiving Remunerati on from any Investees or parent company other Than the Subsidiaries of the Company |
|-------------------------------|------------------|-------------|---|--------------------|---|---|---|--|-------------|-------------|---|--|---|---|
| | | The Company | All Companies Specified in the Financial Statements | The Company | All Companies Specified in the Financial Statements | The Company | All Companies Specified in the Financial Statements | The Company | | Share Bonus | All Companies Specified in the Financial Statements | The Company | All Companies Specified in the Financial Statements | |
| | | | | | | | | Cash Bonus | Share Bonus | | | | | |
| President | Chin-Mao Lin | - | 8,381 | - | - | - | 5,475 | - | - | - | - | - | 4.12 | - |
| General Manager | Ching-Wei Lin | - | 6,552 | - | - | - | 11,448 | - | - | 1,698 | - | - | 5.86 | - |
| Chief Operating Officer (COO) | Hsiang-Ming Hung | - | 4,989 | - | - | - | 11,122 | - | - | 1,697 | - | - | 5.30 | - |

4. The remuneration of the top five executives of listed companies

Unit: NT\$ thousand

| Title | Name | Wages (A) | | Pension (B) (Note) | | Bonus and Special Allowance t, etc. (C) | | Employee Bonus Amount from Earnings Distribution (D) | | | | Ratio (%) of the Aggregate Amount of A, B, C and D to the Net Income After-Tax | | Receiving Remuneration from any Investees or parent company other Than the Subsidiaries of the Company |
|-------------------------------|------------------|-------------|---|--------------------|---|---|---|--|-------------|---|-------------|--|-------------|--|
| | | The Company | All Companies Specified in the Financial Statements | The Company | All Companies Specified in the Financial Statements | The Company | All Companies Specified in the Financial Statements | The Company | | All Companies Specified in the Financial Statements | The Company | | | |
| | | | | | | | | Cash Bonus | Share Bonus | | | Cash Bonus | Share Bonus | |
| President | Chin-Mao Lin | - | 8,381 | - | - | - | 5,475 | - | - | - | - | - | 4.12 | - |
| General Manager | Ching-Wei Lin | - | 6,552 | - | - | - | 11,448 | - | - | 1,698 | - | - | 5.86 | - |
| Chief Operating Officer (COO) | Hsiang-Ming Hung | - | 4,989 | - | - | - | 11,122 | - | - | 1,697 | - | - | 5.30 | - |
| Chief Financial Officer (CFO) | Tang-Tat Shing | - | 3,592 | - | - | - | 4,988 | - | - | - | - | - | 2.55 | - |

5. Names of the managers allocated with bonus to employees and the facts in allocation:

Unit: NT\$ thousand

| | Title | Name | Share Bonus | Cash Bonus | Total | Ratio of the Aggregate Amount to the Net Income After-Tax (%) |
|--------|-------------------------------|------------------|-------------|------------|-------|---|
| Manger | General Manager | Ching-Wei Lin | - | 3,395 | 3,395 | 1% |
| | Chief Operating Officer (COO) | Hsiang-Ming Hung | | | | |

(II) The analyses of the percentages of the aggregate total compensations paid to the Company's directors and supervisors, General Managers and Vice General Manager of the Company to the net profit after taxes over the past two years in the Company and all companies covered in the consolidated financial statements and explain the policies, criteria, portfolio of remuneration payment, procedures to fix remuneration, business performance and interrelationship to the future risks (The Company does not have any supervisor)

1. Analyses of the percentages of the aggregate total compensations paid to the directors and supervisors, General Managers and Vice General Manager of the Company and all companies covered in the consolidated financial statements to the net earnings after taxes:

Unit: NT\$ thousand

| Item | Year 2020 | | Year 2021 | |
|--|-----------|--------|-----------|--------|
| | Amount | % | Amount | % |
| Director | 4,490 | 1.08% | 4,500 | 1.34% |
| General Manager and Vice General Manager | 63,609 | 15.29% | 51,362 | 15.28% |
| Net income (consolidated) | 416,040 | 100% | 336,132 | 100% |

2. The Policies, criteria, and Portfolios for the Payment of Remuneration, the Procedures for Determining Remuneration, and the Correlation with Business Performance and future risks.

A. Directors

The Company has set up Remuneration Committee, responsible for performance reviews of directors and managers, as well as the policy, system, standard and structure of wages and compensations. The wages and compensations are set according to periodical reviews and references to other companies in the same industry.

B. General Manager and Vice General Manager

The remunerations to managers consist of wages, bonuses, employee benefits and pension contributions, and are determined according to positions held, responsibilities assumed, contributions to the Company and remuneration levels in the industry.

C. Correlation between operation performance and future risks

The Company's remunerations are determined in accordance with the Company's Articles of Incorporation and factors such as contributions to the Company and reference to the levels of the same industry. The relevant performance assessment and the rationality of remuneration are reviewed by the Remuneration Committee and the Board of Directors, and the remuneration system is reviewed from time to time in accordance with the actual operating conditions and relevant laws and regulations, to seek for the balance between the Company's sustainable operation and risk control.

IV. Corporate Governance

(I) Functioning of the Board of Directors

A total of 7 【A】 meetings of Directors was convened in 2021. Director attendance was as follows:

| Title | Name | Times of Actual Attendance in Person 【B】 | Times of Attendance by Proxy | Actual Attendance Ratio (%) 【B/A】 | Remarks |
|----------------------|--|--|------------------------------|-----------------------------------|---------|
| Chairman | Xingmao Group Holdings Limited Representative: Chin-Mao Lin | 7 | 0 | 100.00 | - |
| Director | Ching-Wei Lin | 7 | 0 | 100.00 | - |
| Director | Hsiang-Ming Hung | 7 | 0 | 100.00 | - |
| Director | Chia Mei Investment Co., Ltd. Representative: Chiung-Shiung Tung | 7 | 0 | 100.00 | - |
| Independent Director | King-Biau Lien | 7 | 0 | 100.00 | - |
| Independent Director | Kun-Ming Lee | 7 | 0 | 100.00 | - |
| Independent Director | Heng-Yih Liu | 7 | 0 | 100.00 | - |

Other entries as required:

- I. Where the operations by the Board of Directors meet any one among those circumstances enumerated below, the date, term, contents of the agenda, opinions of all independent directors and the handling of the independent directors' opinions shall be expressly remarked:

(I) Issues to be enumerated under Article 14-3 of the Securities and Exchange Act:

| Meeting date/session | Discussions | Opinions from all independent directors and the Company's response to these opinions |
|---|--|--|
| January 21, 2021/the 16th meeting for the 1st Board | <ul style="list-style-type: none"> ● Approve the proposal for the loaning of funds made by the Group ● Approve the proposal for the making of endorsements/guarantees by the Group ● Approve the additional capital injection to Thrive Nation Group Limited through the subsidiary, TST International Group Limited ● The proposal for the establishment of new subsidiary in Vietnam through the Company's subsidiary, Thrive Nation Group Limited | Approved by all independent directors |
| Resolution result: Approved with consent of all attending directors | | |
| March 24, 2021/the 17th meeting for the 1st Board | <ul style="list-style-type: none"> ● Review the proposal for 2020 statement of internal control system ● Review 2020 consolidated financial statements and business report ● Review the proposal for 2020 earnings distribution | Approved by all independent directors |

| | | |
|---|---|---------------------------------------|
| March 24, 2021/the 17 th meeting for the 1 st Board | <ul style="list-style-type: none"> ● Approve the proposal for the Group's acquisition of right-of-use assets from related parties. ● Approve the role of the Company acting as financing co-guarantor that provides the common bank financing limit and derivatives trading limit provided through Taishin International Bank, Hong Kong Branch to Top Star Textile Limited and Top Sports Textile Limited. ● The evaluation of independence of CPA of financial report of the Company ● Issue new shares of restricted stock unit (RSU) | Approved by all independent directors |
| Resolution result: Approved with consent of all attending directors | | |
| May 12, 2021/the 18 th meeting for the 1 st Board | <ul style="list-style-type: none"> ● Review Q1 of 2021 consolidated financial statements ● Approve the proposal of the role of the Company acting as the financing co-guarantor that provides the financing limit and derivatives trading limit provided through Bank SinoPac and Citibank to subsidiaries ● Approve the proposal of the role of the Company acting as the financing co-guarantor that provides the financing limit, foreign exchange and derivatives trading limit provided through Citibank (Taiwan) to Top Star Textile Limited ● Approve proposal for additional capital injects to Thrive Nation Group Limited through the subsidiary, TST International Group Limited | Approved by all independent directors |
| Resolution result: Approved with consent of all attending directors | | |
| July 15, 2021/the 19 th meeting for the 1 st Board | <ul style="list-style-type: none"> ● Approve the proposal for the loaning of funds to Top Star Textile Vietnam Company Limited as provided by Top Star Textile Limited. ● Approve the proposal for providing bank financing limit amount to Top Sports Textile Vietnam Co., Ltd. as provided by Bank SinoPac, Hong Kong Branch and Ho Chi Ming Vietnam Branch, in which the Company acts as the joint guarantor of the financing. ● Approve the proposal for providing the commonly used bank financing limit amount to Top Star Textile Limited and Top Sports Textile Limited as provided by Chinatrust Bank, Hong Kong Branch, in which the Company acts as the joint guarantor of the financing. ● Approve the proposal for additional investment in the establishment of factory in Vietnam. | Approved by all independent directors |
| Resolution result: Approved with consent of all attending directors | | |
| Aug 19, 2021/the 20 th meeting for the 1 st Board | <ul style="list-style-type: none"> ● Review Q2 of 2021 consolidated financial statement | Approved by all independent directors |

| | | |
|--|--|---------------------------------------|
| Aug 19, 2021/the 20 th meeting for the 1 st Board | <ul style="list-style-type: none"> ● Approve the cancellation the loaning of funds to Top Star Textile Limited as provided by TST International Group Limited. ● Approve the trading limit for dealing in derivatives by Top Star Textile Limited. ● Approve the proposal for providing bank financing limit amount to Chintex Enterprises Limited. as provided by Bank SinoPac (China) Co., Ltd., in which the Company acts as the joint guarantor for the financing | Approved by all independent directors |
| Resolution result: Approved with consent of all attending directors | | |
| November 10, 2021/the 21 th meeting for the 1 st Board | <ul style="list-style-type: none"> ● Review Q3 of 2021 consolidated financial statement ● Approve the limit amount of loaning of funds to Top Star Textile Vietnam Company Limited as provided by TST International Group Limited. | Approved by all independent directors |
| Resolution result: Approved with consent of all attending directors | | |
| December 8, 2021/the 22 th meeting for the 1 st Board | <ul style="list-style-type: none"> ● Approve the proposal for 2022 operation plan and budget ● Approve the proposal for 2022 audit plan ● Approve the proposal for the loaning of funds made by the Group ● Approve the proposal for investment in structured Notes of Citibank as applied by Top Star Textile Limited. | Approved by all independent directors |
| Resolution result: Approved with consent of all attending directors | | |

- (II) Issues other than the aforementioned ones where the independent directors voice objection or reserved opinions as backed up with records or written declarations in the minutes of the Board of Directors meeting. None of the above applicable to the functioning of the Company's Board of Directors

II. Abstaining from voting by directors who are stakeholders, with details of the directors' names, proposals, reasons for abstaining and results of votes by other directors:

| Meeting date/session | Abstaining director(s) | Proposal | Reason for abstaining | Results of votes by other directors |
|--|---|---|-----------------------|--|
| March 24, 2021/the 17 th meeting for the 1 st Board | Chin-Mao Lin Ching-Wei Lin Hsiang-Ming Hung | Proposal for 2020 performance evaluation of management and 2021 remunerations to management | Stakeholders | Absent when voting. Other attending directors approved unanimously |
| November 10, 2021/the 21 th meeting for the 1 st Board | Chin-Mao Lin Chiung-Shiung Tung Ching-Wei Lin Hsiang-Ming Hung | Proposal for 2022 remunerations to directors | Personal gains | Absent when voting. Other attending directors approved unanimously |
| | King-Biau Lien Kun-Ming Lee Heng-Yih Liu | Proposal for 2022 remunerations to independent directors | Stakeholders | |

III. Assessment cycles, periods, scopes, methods, and details of self-assessments (or peer reviews) for the evaluation of the Board of Directors:

The board of directors adopted "Regulations on Performance Assessment of Board of Directors" on August 13, 2020. The board of directors of the Company shall periodically conduct the performance evaluation on the entire board, each functional committee and individual directors at the end of each year.

The result of 2021 self-evaluation of performance of board of director: the performance of entire board and each functional committee were "medium"; and the self-evaluation result of performance of individual was "medium".

Status of implementation of assessment of board of directors

| Evaluation circle | Evaluation period | Evaluation scope | Evaluation method |
|-------------------|---|--|---|
| Once a year | From January 1, 2021 to December 31, 2021 | Board of directors, individual directors and each functional committee | Internal self-evaluation of the board of directors, self-evaluation of individual directors |

Evaluation contents

- 1.Evaluation of performance of board of directors: Items and contents of "Questionnaire of Self-Evaluation of Performance of the Board" includes five aspects: participation in the company's operation, improvement on the quality of the board's decision making, makeup and structure of the board of directors, election of directors and continued knowledge development, and internal control.
- 2.Evaluation of performance of individual directors: Items and contents of "Questionnaire of Self-Evaluation of Performance of Board Members" includes six aspects: understanding of company goals and missions, director's understanding of their duties and responsibilities, participation in the company's operation, internal relation maintenance and communications, directors' professionalism and continued knowledge development, and internal control.
- 3.Evaluation of performance of functional committee: Items and contents of "Questionnaire of Self-Evaluation of Performance of the Functional Committee" includes five aspects: participation in the company's operation, understanding of duties and responsibilities of functional committee, improvement on quality of decision-making at functional committee, makeup of functional committee and election/appointment of members, and internal control.

IV. Measures to enhance the functionality of the Board of Directors during the current year and the prior years:

- (1) The supervisors have been replaced with Audit Committee, to strengthen corporate governance. All the members of Audit Committee are independent directors, and they convene meetings according to the Company's Charter of Audit Committee. All the proposals from Audit Committee are forwarded to the Board of Directors.
- (2) Core curricula or professional training programs are planned regularly for directors, to enhance their expertise and competences.
- (3) To increase information transparency, the Company has continued to implement the real-time publication of significant resolutions of board of directors, and to proactively disclose the self-settled profit/loss for the year via Market Observation Post System (MOPS).

(II) Functioning of Audit Committee

1. The Company's Audit Committee consists of three independent directors and the Audit Committee's function is to assist BOD in fulfilling its oversight of the quality and integrity of the Company's performance in relation to accounting, auditing, financial reporting processes and financial controls. The major auditing items by the Audit Committee include:

- (1) Review the financial statements
- (2) Review the Internal Audit Plan
- (3) Review issue new shares of restricted stock unit (RSU)
- (4) Review the material monetary loan, endorsement, or provision of guarantee and derivatives transaction
- (5) Review the acquisition of right-of-use assets from related party
- (6) Review the investment on production capability
- (7) Conduct the evaluation of independence of CPA

A total of 7 **【A】** meetings of Audit Committee was convened in 2021. Independent Director attendance was as follows:

| Title | Name | Times of Actual Attendance in Person 【B】 | Times of Attendance by Proxy | Actual Attendance Ratio (%) 【B/A】 | Remarks |
|---|----------------|---|------------------------------|---------------------------------------|---------|
| Independent Director | King-Biau Lien | 7 | 0 | 100% | |
| Independent Director | Kun-Ming Lee | 7 | 0 | 100% | |
| Independent Director | Heng-Yih Liu | 7 | 0 | 100% | |
| Other entries as required: | | | | | |
| I. Where the operations by the Audit Committee meet any one among those circumstances enumerated below, the date, term, contents of the agenda, result of decision resolved in Audit Committee and the handling of the Audit Committee' opinions shall be expressly remarked: | | | | | |
| (I) Matters as set forth under Article 14-5 of Securities and Exchange Act: | | | | | |
| Meeting date/session | | Proposal | | Audit Committee Resolution Results | |
| January 21, 2021/the 15 th meeting for the 1 st Board | | <ul style="list-style-type: none">● Approved the proposal for the loaning of funds made by the Group● Approved the proposal for the making of endorsements/guarantees by the Group● Approve the additional capital injection to Thrive Nation Group Limited through the subsidiary, TST International Group Limited● The proposal for the establishment of new subsidiary in Vietnam through the Company's subsidiary, Thrive Nation Group Limited | | Approved by all independent directors | |
| March 24, 2021/the 16 th meeting for the 1 st Board | | <ul style="list-style-type: none">● Review the proposal for 2020 statement of internal control system● Review 2020 consolidated financial statements and business report | | Approved by all independent directors | |
| The Company's handling of independent directors' opinions: all present directors agreed | | | | | |

| | | | |
|--|---|--|---------------------------------------|
| | March 24, 2021/the 16 th meeting for the 1 st Board | <ul style="list-style-type: none"> ● Review the proposal for 2020 earnings distribution ● Approved the proposal for the Group's acquisition of right-of-use assets from related parties. ● Approved the role of the Company acting as financing co-guarantor that provides the common bank financing limit and derivatives trading limit provided through Taishin International Bank, Hong Kong Branch to Top Star Textile Limited, and Top Sports Textile Limited. ● The evaluation of independence of the external CPA who certifies the Company's financial reports. ● Issue new shares of restricted stock unit (RSU) | Approved by all independent directors |
| | | The Company's handling of independent directors' opinions: all present directors agreed | |
| | May 12, 2021/the 17 th meeting for the 1 st Board | <ul style="list-style-type: none"> ● Review Q1 of 2021 consolidated financial statements ● Approved the proposal of the role of the Company acting as the financing co-guarantor that provides the financing limit and derivatives trading limit provided through Bank SinoPac and Citibank to subsidiaries ● Approve the proposal of the role of the Company acting as the financing co-guarantor that provides the financing limit, foreign exchange and derivatives trading limit provided through Citibank (Taiwan) to Top Star Textile Limited ● Approved proposal for additional capital injects to Thrive Nation Group Limited through the subsidiary, TST International Group Limited | Approved by all independent directors |
| | | The Company's handling of independent directors' opinions: all present directors agreed | |
| | July 15, 2021/the 18 th meeting for the 1 st Board | <ul style="list-style-type: none"> ● Approve the proposal for the loaning of funds to Top Star Textile Vietnam Company Limited as provided by Top Star Textile Limited. ● Approve the proposal for providing bank financing limit amount to Top Sports Textile Vietnam Co., Ltd. as provided by Bank SinoPac, Hong Kong Branch and Ho Chi Ming Vietnam Branch, in which the Company acts as the joint guarantor of the financing. ● Approve the proposal for providing the commonly used bank financing limit amount to Top Star Textile Limited and Top Sports Textile Limited as provided by Chinatrust Bank, Hong Kong Branch, in which the Company acts as the joint guarantor of the financing. ● Approve the proposal for additional investment in the establishment of factory in Vietnam | Approved by all independent directors |
| | | The Company's handling of independent directors' opinions: all present directors agreed | |
| | Aug 19, 2021/the 19 th meeting for the 1 st Board | <ul style="list-style-type: none"> ● Review Q2 of 2021 consolidated financial statement ● Approve the cancellation the loaning g of funds to Top Star Textile Limited as provided by TST International Group Limited. | Approved by all independent directors |

| | | |
|--|--|---------------------------------------|
| Aug 19, 2021/the 19 th meeting for the 1 st Board | <ul style="list-style-type: none"> ● Approve the trading limit for dealing in derivatives by Top Star Textile Limited. ● Approve the proposal for providing bank financing limit amount to Chintex Enterprises Limited. as provided by Bank SinoPac (China) Co., Ltd., in which the Company acts as the joint guarantor for the financing. | Approved by all independent directors |
| | The Company's handling of independent directors' opinions: all present directors agreed | |
| November 10, 2021/the 20 th meeting for the 1 st Board | <ul style="list-style-type: none"> ● Review Q3 of 2021 consolidated financial statement ● Approve the limit amount of loaning of funds to Top Star Textile Vietnam Company Limited as provided by TST International Group Limited. | Approved by all independent directors |
| | The Company's handling of independent directors' opinions: all present directors agreed | |
| December 8, 2021/the 21 st meeting for the 1 st Board | <ul style="list-style-type: none"> ● Approve the proposal for 2022 operation plan and budget ● Approve the proposal of 2022 audit plan ● Approve the proposal for the loaning of funds made by the Group ● Approve the proposal for investment in structured Notes of Citibank as applied by Top Star Textile Limited. | Approved by all independent directors |
| | The Company's handling of independent directors' opinions: all present directors agreed | |

(II) Any matters other than the abovementioned not passed by Audit committee but determined by at least two thirds of directors: None

II. Abstaining from voting by independent directors who are stakeholders, with details of the directors' names, proposals, reasons for abstaining and results of votes by other directors: None

III. Communication among independent directors, internal auditors, and external auditors (including the material issues discussed, methods and results of dialogues concerning company financials, operations):

(I) Communication policy between Independent Directors, Internal Audit Supervisors and CPA:

1. Internal audit Supervisor shall periodically report the following matters to the Audit Committee.
 - (1) Annual Internal Audit Plan
 - (2) Periodically report the implementation status of internal audit affairs to the Audit Committee.
2. Accountants participate in the audit committee at least once a year and report the annual audit results.
3. The internal auditor shall, on a monthly basis, submit audit work report (including audit findings and suggestion) to independent directors for review.
4. The internal audit officer shall attend the quarterly board meeting and report the recent audit findings, audit suggestions and improvement effect.
5. CPA shall conduct the opinion exchange at the quarterly board meeting in regards to the effect of change of laws and regulations, and the issue of material operation improvement.
6. Other: Whenever significant unusual circumstance occurs or independent directors, audit officer and CPA consider the independent communication is required, a meeting may be called for communication irregularly from time to time

(II) Communications between Independent Director, Audit Supervisor and CPA in 2021 :

| Date | Attendees (Title / Name) | Communication Memos | Communication Results |
|-----------------------------------|---|--|---------------------------------------|
| March 24, 2021 Audit Committee | Independent Director / King-Biau Lien Independent Director / Kun-Ming Lee Independent Director/ Heng-Yih Liu Audit Supervisor / Jing-Yi Wang CPA / Man-Yu Juanlu | <ul style="list-style-type: none"> ● Report 2020 consolidated financial statements ● Report 2020 audit progress statement of the audit plan ● Report 2020 Statement of Internal Control System ● Report 2020 Audit Committee's Review Report for 2020 | Approved by all independent directors |
| May 12, 2021 Audit Committee | Independent Director / King-Biau Lien Independent Director / Kun-Ming Lee Independent Director / Heng-Yih Liu Audit Supervisor / Jing-Yi Wang CPA / Man-Yu Juanlu | <ul style="list-style-type: none"> ● Report Q1 of 2021 audited progress statement of the audit plan ● Report Q1 of 2021 consolidated financial statements | Approved by all independent directors |
| Aug 19, 2021 Audit Committee | Independent Director / King-Biau Lien Independent Director / Kun-Ming Lee Independent Director / Heng-Yih Liu Audit Supervisor / Jing-Yi Wang CPA / Man-Yu Juanlu | <ul style="list-style-type: none"> ● Report Q2 of 2021 audited progress statement of the audit plan ● Report Q2 of 2021 consolidated financial statements | Approved by all independent directors |
| Nov 10, 2021 Audit Committee | Independent Director / King-Biau Lien Independent Director / Kun-Ming Lee Independent Director / Heng-Yih Liu Audit Supervisor / Jing-Yi Wang CPA / Man-Yu Juanlu | <ul style="list-style-type: none"> ● Report Q3 of 2021 audited progress statement of the audit plan ● Report Q3 of 2021 consolidated financial statements ● Planning of internal audit and control for the year ● Explanation of the key audit matters and major audit matters | Approved by all independent directors |
| Dec 8, 2021 Audit Committee | Independent Director / King-Biau Lien Independent Director / Kun-Ming Lee Independent Director / Heng-Yih Liu Audit Supervisor / Jing-Yi Wang | <ul style="list-style-type: none"> ● Report 2022 audit plan | Approved by all independent directors |

(III) The Company's independent directors conducted the governance unit communication meeting before the audit with the CPA before the audit of annual report for each year, to understand the key points and directions of the audit conducted by CPA, and reviewed and discussed the audit findings of CPA at the meeting after the audit, and supervised the implementation of the following matters:

1. The fair presentation of the Company's financial statements
2. The effective implementation of the Company's internal control.
3. The Company's compliance with relevant laws, regulations and rules.
4. The control of the Company's existing or potential risks.

(III) The performance of corporate governance and the status on discrepancy and reasons in relation to the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies

| Evaluation Items | Facts of performance | | | Status on discrepancy and reasons in relation to Corporate Governance Best Practice Principles for TWSE/ TPEX Listed Companies |
|---|----------------------|----|--|--|
| | Yes | No | Descriptions in summary | |
| 1. Does the Company specify and disclose the Corporate Governance Best Practice Principles in accordance with the “Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies”? | ✓ | | The Company has set up the Corporate Governance Best Practice Principles for all the governance matters. | No significant differences. |
| 2. Corporate Equity Structure and Shareholders’ Equity | | | | |
| (1) Does the Company specify internal operation procedures to dispose recommendations, doubts, disputes and lawsuit matters of shareholders, and implement in accordance with such procedures? | ✓ | | (1) In addition to the protection of shareholders specified in the Company’s Articles of Incorporation and internal regulations, we have set up a dedicated team responsible for investor relations to collect suggestions/questions from shareholders and issues/disputes raised by shareholders. | No significant differences. |
| (2) Does the Company master the major shareholders in actual control of the company and the name list of the final controllers of such major shareholders? | ✓ | | (2) The Company has assigned the Transfer Agency of CTBC to collect and disclose the updated information about its shareholders holding more than 10 percent of the outstanding shares, directors relating to the pledge, increase or decrease of share ownership, and other matters that may possibly trigger a change in the ownership of their shares. The Company ensures duly updating of information regarding of major shareholders and the ultimate control persons who have an actual control over the Company. | |
| (3) Does the Company establish and execute the risk control and firewall mechanism with the affiliates? | ✓ | | (3) The Company has set up an internal control system and the Regulations Governing Management of Affiliated Companies as a control and management mechanism by following relevant laws and regulations. | |
| (4) Does the Company establish internal specifications to prohibit the internal parties of the company from trading securities by taking advantage of the non-opened information in market? | ✓ | | (4) The Company has set up the Preventive Measures Against Insider Trading and the Operating Procedures on the Processing of Internal and Material Information since 2019. The purpose is to control the confidentiality of internal and material information and prohibit the insider trading of the Company’s shares by advocating relevant laws and regulations to insiders. | |

| Evaluation Items | Facts of performance | | | Status on discrepancy and reasons in relation to Corporate Governance Best Practice Principles for TWSE/ TPEX Listed Companies |
|---|----------------------|----|--|--|
| | Yes | No | Descriptions in summary | |
| 3. Organization and Functions of Board of Directors | | | | |
| (1) Does the Board of Directors prepare diversified guidelines in response to the organization of members and actualize the execution? | ✓ | | (1) The Company has set up the Procedures for Election of Board Directors by emphasizing the diversity of board members and requiring knowledge, skills, and expertise to exercise duties. The diversity of the board composition and the tasks carried out by board directors are detailed in Note 1. | No significant differences. |
| (2) Does the company, besides establishing Compensation Committee and Audit Committee in accordance with laws, also voluntarily establish other committees with similar functions? | ✓ | | (2) The Company has set up Remuneration Committee and replaced supervisors with Audit Committee. Other functional committees will be established as required. | |
| (3) Does the Company establish performance rules and evaluation methods of the Board of Directors, and periodically engages in performance evaluation every year? Besides, does the Company submit the outcome of performance evaluation to the board of directors to be used as the handy reference in salary remuneration of respective directors and their salaries? | ✓ | | (3) The Company's Procedures for Election of Board Directors require the Board to adjust its composition according to performance review results. The operational status of the Remuneration Committee and the Audit Committee of the Board of Directors and the directors' self-assessment is regularly assessed by means of a questionnaire survey every year, and report to the Board of Directors on March 24, 2021. | |
| (4) Does the company periodically evaluate the independence of the certified public accountant? | ✓ | | (4) The Audit Committee of the Company evaluates the independence and competence of its certified public accountant every year. In addition to requiring the certified public accountant to provide a "statement of detached independence", the evaluation is conducted according to the standards in Note 2. After the evaluation results of the most recent year were approved by the Audit Committee on March 24, 2021, it was submitted to the Board of Directors for a resolution to approve the evaluation of independence of the certified public accountant on the same day. | |
| 4. Have Exchange-listed and/or OTC-listed companies been equipped with eligible and appropriate corporate governance personnel, and designated corporate governance executives responsible for corporate governance-related affairs (including but not limited to providing directors, supervisors with the information needed to perform business, assisting directors, supervisors in complying with laws to handle matters related to meetings of the board of directors and | ✓ | | The Company has been assigned IR Dept. to handle related matters about Corporate Governance. The main duties of the Corporate Governance are to provide the Directors with information required for performing the business, assisting the Directors in compliance with the laws, and to handle related matters to the Board and shareholders' meetings. Implementation status in 2021 is as follows: 1. Assist independent directors and general directors to perform their duties, provide | No significant differences. |

| Evaluation Items | Facts of performance | | | Status on discrepancy and reasons in relation to Corporate Governance Best Practice Principles for TWSE/ TPEX Listed Companies |
|---|----------------------|----|--|--|
| | Yes | No | Descriptions in summary | |
| shareholders 'meetings in accordance with the law, with production of minutes of board of directors meetings and shareholders' meetings)? | | | <p>necessary information and arrange for continuing education for directors:</p> <p>(1) Regularly updated to the Board members regarding the Company's business operations and corporate governance regulations.</p> <p>(2) Review the confidentiality level of the relevant information and provide corporate information required by the directors to maintain smooth communication and interaction between directors and managers.</p> <p>(3) Arrange meetings with the head of internal audit or CPAs for independent directors who are in need of investigating the Company's financial or business operation, in accordance with the Corporate Governance Best Practice Principles.</p> <p>(4) Assist independent directors and general directors in drawing up annual further education plan and making arrangement for courses in accordance with the nature of the industry to which the Company belongs and the experience and background of directors.</p> <p>2. Assist in the matters related to the rules of procedures of Board of Directors and Board of Shareholders as well as legal compliance with resolutions:</p> <p>(1) Report the implementation of corporate governance to the Board of Directors, independent directors and Audit Committee, and confirm whether the meetings of the Company's Board of Shareholders and Board of Directors are held in compliance with relevant laws and regulations and the Corporate Governance Best Practice Principles.</p> <p>(2) Assist and remind directors to perform or make formal resolutions at the meeting of Board of Directors in compliance with laws and regulations.</p> <p>(3) Be responsible for checking the release of the major information related to the important resolutions made by the Board of</p> | |

| Evaluation Items | Facts of performance | | | Status on discrepancy and reasons in relation to Corporate Governance Best Practice Principles for TWSE/ TPEX Listed Companies |
|--|----------------------|----|---|--|
| | Yes | No | Descriptions in summary | |
| | | | <p>Directors and ensure the legality and accuracy of the contents of such information, so as to keep the consistency of investor's trading information.</p> <p>3. Maintain investor relations: Arrange the directors and major shareholders, institutional investors, exchange and communication with the major shareholders, institutional investors, and general shareholders, so that investors can obtain sufficient information to determine the market value of the enterprise and thus enable shareholders' equity to be well maintained.</p> <p>4. To draft the agendas of Board of Directors' Meeting and inform each director seven days prior to the meeting. Reminder should be made in advance when the agenda engaging in conflict of interests. Meeting minutes shall be made and deliver to the Board members within 20 days after the meeting.</p> <p>5. Handle registration of the date of shareholders' meetings, prepare meeting notices, agenda handbook, annual report, and meeting minutes for the Company's legal affairs within the prescribed period of the shareholders' meeting, and change registration of the Company's articles of incorporation or directors' re-elections.</p> | |
| 5. Does the Company establish communication channel of the stakeholders (including but not limited, shareholders, employees, customers and suppliers, etc.), and establish an exclusive zone of the stakeholders in the company's website, and properly respond the important issues of corporate social responsibility concerned by the stakeholders? | ✓ | | The Company has set up the website: the Social Responsibility \ the Stakeholders Engagement Section, and has sound communication channel with shareholders, employees, clients, banks, suppliers and other stakeholders. The Company shall provide sufficient business information in good faith to protect the interest of the Stakeholders. Please refer to Note 3 for further details. | No significant differences. |
| 6. Does the Company appoint a professional stock affair handling agency to process the affairs of shareholders' meeting? | ✓ | | The Company has assigned the Transfer Agency of CTBC to provide registrar services and logistics at shareholder meetings. | No significant differences. |
| 7. Information Opening (1) Does the company set up a website to disclose the financial business and the corporate governance information? | ✓ | | (1) The Company has set up webpages to disclose information regarding financials, operations, and corporate governance for the reference of shareholders and other | No significant differences. |

| Evaluation Items | Facts of performance | | | Status on discrepancy and reasons in relation to Corporate Governance Best Practice Principles for TWSE/ TPEX Listed Companies |
|--|----------------------|----|--|--|
| | Yes | No | Descriptions in summary | |
| <p>(2) Does the company adopt other information disclosure methods (such as setting up an English website, designating exclusive personnel to be in charge of the corporate information collection and disclosure, actualizing the speaker system, institutional investor conference process placement in the company's website, etc.)?</p> <p>(3) Did the Company announce and declare its annual financial statements within two months after the end of the fiscal year, and announce and declare the financial statements of the first, second and third quarters and operating performance of each month ahead of schedule as required?</p> | <p>✓</p> <p>✓</p> | | <p>stakeholders. We also disclose such information via Market Observation Post System.</p> <p>(2) Our Spokesperson or Deputy Spokesperson answer these questions. Relevant departments, Spokesperson or Deputy Spokesperson oversee the collection and disclosure of company information. We have set up a website for disclosure purposes.</p> <p>(3) The Company publishes financial reports and monthly revenues before statutory deadlines.</p> | |
| <p>8. Does the company have other available important information helpful to understand the corporate governance and performance status (including but not limited to employee interests, employee care, investor relation, supplier relationship, rights of stakeholders, advanced study status of directors and supervisors, execution status of risk management policy and risk measurement standard, execution status of client policy, the status of purchasing liability insurance of the company for its directors and supervisors, etc.)?</p> | ✓ | | <p>1. Employee interests: The Company maintains a good employment relationship and seeks to protect the legal rights of employees according to the labor laws of different jurisdictions. We have never experienced major labor disputes, nor attracted any penalties from competent authorities for material breach of labor laws.</p> <p>2. Employee care: The Company offers reasonable salaries, bonuses, and employee travels, and Administration Department oversees the employee benefit program. We endeavor to maintain a trusting relationship with employees.</p> <p>3. Investor relations: The Company has set up webpages and the spokesperson system to disclose financial and other material information in a timely manner. We also disclose such information via Market Observation Post System to protect our shareholders.</p> <p>4. Supplier relations: The Company deals with suppliers in a fair manner and maintains long-term cooperation with suppliers by adhering to the principle of</p> | No significant differences. |

| Evaluation Items | Facts of performance | | | Status on discrepancy and reasons in relation to Corporate Governance Best Practice Principles for TWSE/ TPEX Listed Companies |
|------------------|----------------------|----|---|--|
| | Yes | No | Descriptions in summary | |
| | | | <p>trust and honesty.</p> <p>5. Stakeholders' rights: To protect the right of stakeholders, the Company has established a variety of communication channels. We act with honest and integrity to fulfill our corporate social responsibility.</p> <p>6. Directors' training & education: The Company's directors take up classes in securities laws/regulations and corporate governance according to the minimum hour requirements by the Regulations Governing Training & Education of Directors and Supervisors of Companies Listed on Taiwan Stock Exchange and Taipei Exchange.</p> <p>7. Risk management policy and risk assessment standards and implementations: The Company has established various internal regulations, in compliance with relevant laws and regulations, and conducts risk management and assessments accordingly.</p> <p>8. Implementation of customer policies: The Company spares no efforts in the delivery of best services/products to customers. We have a dedicated team that handle customers' issues.</p> <p>9. Purchase of liability insurance for directors: The Company has set out rules in the Corporate Governance Best Practice Principles regarding the purchase of liability insurance for directors and has purchased such insurance for directors accordingly.</p> | |

9. Please explain the performance in improvement of the Company's corporate governance in response to the evaluation results released by the Corporate Governance Center of the Taiwan Stock Exchange Co., Ltd. in the most recent year, and the proposed preferential measures of improvement for those which call for further improvement:

For the status of deficiencies in the 8th corporate governance assessment, the Company has started to make improvements in 2022, as explained below:

(一) Improved status:

| Improved items | Improvement measures |
|---|--|
| The Convenor of Audit Committee should personally attend the annual meeting of shareholders and the names of attendants should be disclosed in the minutes of the meeting | It is expected that the convenor of audit committee will personally attend the 2021 annual meeting of shareholders |
| The Company should disclose the status of communications among independent directors, internal auditor, and CPA (such as the manners, matters and results of the communications regarding the company's financial report and financial business status) at the website of the Company | The communication status will be disclosed at the Company's website. |

(二) Items to be implemented: Preferential items and measures for improvement to be conducted in 2022

are as follows:

| Items which have not been improved | Improvement measures |
|--|--|
| The annual report does not specifically disclose the procedures and standards of the board of directors for evaluating the independence of the certified public accountant (please list important items) | The relevant information has been included in the 2021 annual report. |
| The Company's website has not disclosed the list of major shareholders, including shareholders with a shareholding ratio of more than 5%. If there are less than ten shareholders, the name of the top ten shareholders, the amount and proportion of shareholding should be disclosed | It is expected that the communication status will be disclosed at the Company's website. |
| Communication channels for various types of stakeholders are not disclosed (specific windows and contact information are required) | It is expected that the communication status will be disclosed at the Company's website. |

Note 1: The diversity of the board composition and the tasks carried out by board directors to date.

| Director | Gender | Operational judgement | Accounting & financial analysis | Management capability | Crisis management | Industry knowledge | Global perspectives | Leadership | Decision-making |
|--|--------|-----------------------|---------------------------------|-----------------------|-------------------|--------------------|---------------------|------------|-----------------|
| Xingmao Group Holdings Limited Representative: Chin-Mao Lin | - | ✓ | - | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| Chia Mei Investment Co., Ltd. Representative: Chiung-Shiung Tung | - | ✓ | ✓ | ✓ | ✓ | - | ✓ | ✓ | ✓ |
| Ching-Wei Lin | M | ✓ | - | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| Hsiang-Ming Hung | M | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| King-Biau Lien | M | ✓ | - | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| Kun-Ming Lee | M | ✓ | ✓ | ✓ | ✓ | - | ✓ | ✓ | ✓ |
| Heng-Yih Liu | M | ✓ | - | ✓ | ✓ | - | ✓ | ✓ | ✓ |

Note 2: Evaluation of independence and suitability of external CPAs of year 2021

| | |
|---|--|
| CPA: Man-Yu Juanlu Education & Major Experience: | Accounting Firm: PwC Taiwan Education: Master Degree in Accounting, California State University, San Bernardino Major Experience: Certified Public Accountant of R.O.C. |
| CPA: Ya-Hui Lin Education & Major Experience: | Accounting Firm: PwC Taiwan Education: Master Degree in Economic Policy Group, Graduate School of National Development, National Taiwan University Major Experience: Certified Public Accountant of R.O.C. |

| Evaluation Item | Evaluation Result | Independence |
|---|-------------------|--------------|
| 1.The CPA have no significant financial stakes directly with the Company | Yes | Yes |
| 2.There is no significant close commercial relationship between the CPA and the Company. | Yes | Yes |
| 3.The CPA have no close business relationships and potential employment relationships with the Company | Yes | Yes |
| 4.The CPA has never had any lending/loan of money with the Company. | Yes | Yes |
| 5.The CPA has not received a gift or gift of great value to the directors and supervisor or managers of the Company or the Company (the value of which exceeds the standard of general social etiquette) | Yes | Yes |
| 6.The CPA has not provided audit services to the Company for seven consecutive years. | Yes | Yes |
| 7.The CPA has not held any shares of the Company. | Yes | Yes |
| 8.The CPA himself, his spouse or dependent relatives, and his audit team have not held positions as directors, supervisors, managers of the Company or have a position with significant influence on the audit case during the audit period or within the last two years, and they also definitely will not hold the above said positions during the future audit period. | Yes | Yes |
| 9.Whether the CPA has complied with the provisions of Statement No. 10 of Code of Professional Ethics for CPAs regarding the regulation on independence, and whether the "Statement of Independence" issued by the CPA has been obtained. | Yes | Yes |

Evaluation result: the external CPAs meet the requirements of independence and suitability of the Company.

Note 3: Communication channels and dealings with stakeholders

| Stakeholder | Key issues | Communication channels | Interactions |
|-------------|--|---|---|
| Investors | Company operations, financials, and corporate governance | Annual reports Investor Relations section on company website Shareholder meetings Investor Relations email box: IR@tstco.com Market Observation Post System | Periodical publication of financial statements and preparation of annual reports Regular updates of financial and other material information via Market Observation Post System Regular capital market day events and shareholder meetings to report to investors company operations and financial status |
| Employees | Employee benefits | Administration Department Company website | Employee recruitment/dismissal, compensations, incentives, and benefits in a reasonable manner and according to relevant labor laws and regulations Training & education on an ad-hoc basis |
| Customers | Customer relations | Customer visits Collaboration in supplier conferences | Regular participation of supplier conferences organized by customers to understand their needs |
| Suppliers | Supply chain management Product innovations | Procurement contracts Supplier visits | Full communication with suppliers and signing of procurement contracts Regular visits to suppliers to understand their needs |
| Media | Company operations and financials | Company website/E-mail | Monthly release of operating information, quarterly announcement of operating results and ad-hoc initiatives in business development |
| Communities | Environmental issues Giving back to communities | Company website/E-mail | Involvement in a variety of community or social welfare campaigns |

Note 4: (1) Training & education for directors in 2021

| Name | Date | Organizer | Title of programs | Hours |
|---|-------------|--|---|-------|
| King-Biau Lien | May 11 | Taiwan Corporate Governance Association | Explanations of responsibilities of directors and supervisors under corporate governance and case introduction | 3 |
| King-Biau Lien | August 10 | Taiwan Corporate Governance Association | Business management practice: Industry 4.0 is not what you think | 3 |
| Heng-Yih Liu | August 11 | Taiwan Corporate Governance Association | Legal liability and risk control of directors and supervisors' untrue financial reports—focusing on practical case study | 3 |
| Heng-Yih Liu | August 11 | Taiwan Corporate Governance Association | The criminal liability of directors, supervisors and managers for breach of trust and case analysis | 3 |
| Chiung-Shiung Tung | October 8 | Vision International Management Consulting | The course of "Corporate Governance and Strategic Corporate Social Responsibility Practice" - Family business succeeding inheritance and organizational transformation | 3 |
| Chiung-Shiung Tung | October 8 | Vision International Management Consulting | The course of "Corporate Governance and Strategic Corporate Social Responsibility Practice" – Stories of passwords to understand financial statements for directors, supervisors and governance executives with non-financial backgrounds | 3 |
| Hsiang-Ming Hung | October 15 | Vision International Management Consulting | The course of "Corporate Governance and Strategic Corporate Social Responsibility Practice" Course - How to measure the performance of the board of directors? Three things that directors and supervisors should do. | 3 |
| Chin-Mao Lin Ching-Wei Lin | October 22 | Vision International Management Consulting | The course of "Corporate Governance and Strategic Corporate Social Responsibility Practices" - The opportunity of green energy generation for new business models of enterprises | 3 |
| Chin-Mao Lin Ching-Wei Lin Hsiang-Ming Hung | October 22 | Vision International Management Consulting | The course of "Corporate Governance and Strategic Corporate Social Responsibility Practice" Course - The opportunity and operational crisis of the industry from the trend of economic development after the COVID-19 pandemic. | 3 |
| Kun-Ming Lee | November 9 | Securities and Futures Institute | Castles Technology Co., Ltd. Commissioned Training - Directors and Supervisors (Independent) and Corporate Governance Officers Practical Advanced Seminar “Information Security Value in the Post-pandemic Era and the Sino-US Trade War” | 3 |
| Kun-Ming Lee | November 9 | Securities and Futures Institute | Castles Technology Co., Ltd. Commissioned Training - Practical Advanced Seminar on Directors and Supervisors (Independent) and Corporate Governance Officers “The Impact of the New Labor Incident Law on Enterprise Risks and Responses” | 3 |
| Ching-Wei Lin | November 12 | Vision International Management Consulting | The course of "Corporate Governance and Strategic Corporate Social Responsibility Practice" - "Stories of passwords to understand financial statements for directors, supervisors and governance executives with non-financial backgrounds" | 3 |

| (2) Training & education of executive managers and audit supervisors in 2021 : | | | | | |
|--|------------------|-------------------------------|--|---|-------|
| Title | Name | Date | Organizer | Title of programs | Hours |
| President | Chin-Mao Lin | October 22 | Vision International Management Consulting | The course of "Corporate Governance and Strategic Corporate Social Responsibility Practice" Course - The opportunity and operational crisis of the industry from the trend of economic development after the COVID-19 pandemic. | 3 |
| | | October 22 | Vision International Management Consulting | The course of "Corporate Governance and Strategic Corporate Social Responsibility Practices" - The opportunity of green energy generation for new business models of enterprises | 3 |
| General Manager | Ching-Wei Lin | October 22 | Vision International Management Consulting | The course of "Corporate Governance and Strategic Corporate Social Responsibility Practice" Course - The opportunity and operational crisis of the industry from the trend of economic development after the COVID-19 pandemic. | 3 |
| | | October 22 | Vision International Management Consulting | The course of "Corporate Governance and Strategic Corporate Social Responsibility Practices" - The opportunity of green energy generation for new business models of enterprises | 3 |
| | | November 12 | Vision International Management Consulting | The course of "Corporate Governance and Strategic Corporate Social Responsibility Practice" - "Stories of passwords to understand financial statements for directors, supervisors and governance executives with non-financial backgrounds" | 3 |
| Chief Operating Officer (COO) | Hsiang-Ming Hung | July 22 | Institute of Internal Auditors | Adaptation of labor-employer relation under the circumstance of pandemic altering | 6 |
| | | October 8 | Institute of Internal Auditors | Reading, analysis and application of financial statements | 6 |
| | | October 15 | Vision International Management Consulting | The course of "Corporate Governance and Strategic Corporate Social Responsibility Practice" Course - How to measure the performance of the board of directors? Three things that directors and supervisors should do | 3 |
| | | October 22 | Vision International Management Consulting | The course of "Corporate Governance and Strategic Corporate Social Responsibility Practice" Course - The opportunity and operational crisis of the industry from the trend of economic development after the COVID-19 pandemic. | 3 |
| Chief Financial Officer (CFO) | Tat Shing Tang | From October 25 to October 26 | Accounting Research and Development Foundation | Professional training course of continuing education program for accounting officers of issuers, securities firms and securities exchange (Accounting 6hurs 、 Corporate Governance 3hurs & Professional Ethics, and Legal Liability 3hurs) | 12 |
| Audit Supervisor | Jing-Yi Wang | September 28 | Institute of Internal Auditors | War and Protection of Invisible Assets-- Business Secrets and Non-competition | 6 |
| | | October 12 | Institute of Internal Auditors | Self-evaluation practice | 6 |

(IV) Disclosure of composition, responsibility and functioning of Remuneration Committee if applicable

1. Information on Compensation Committee members

| Position (Note 1) | Term Name | Meet One of the Following Professional Qualification Requirements, Together with at Least Five Years Work Experience | | | Independence Information (Note 2) | | | | | | | | | | Number of Other Public Companies Concurrently Serving as a Member of Compensation Committee | Remarks |
|----------------------|------------------|--|--|---|-----------------------------------|---|---|---|---|---|---|---|---|----|---|---------|
| | | An instructor in or a higher position in a department of commerce, law, finance, accounting, or other academic department related to the business needs of the company in a public or a private junior college, college, or university | A judge, public prosecutor, attorney, certified public accountant, or other professional or technical specialists who has passed a national examination and been awarded a certificate in a profession necessary for the business of the company | Have work experience in the area of commerce, law, finance, or accounting, or otherwise necessary for the business of the company | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | | |
| Independent Director | King-Biau Lien | - | - | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | 1 | |
| Independent Director | Kun-Ming Lee | - | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | 1 | |
| Independent Director | Heng-Yih Liu | ✓ | - | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | 2 | |

Note 1: For the position, it will be filled up as director, independent director or others.

Note 2: Please tick with ✓ mark in the boxes below where the Compensation Committee members prove to have met with the conditions enumerated below in two years before being appointed and during their tenure of office

- (1) Not an employee of the company or any of its affiliates.
- (2) Not a director or supervisor of the company or any of its affiliates. (This, nevertheless, does not apply to cases where the person is an independent director of the Company, its parent company or any subsidiary or a subsidiary with same parent company where the independent directors perform multiple duties concurrently among themselves in accordance with the Act or the laws and regulations of the local country).
- (3) Not a natural person shareholder who holds shares, together with those held by the person's spouse, minority or held by the person under others' names, in an aggregate amount of 1% or more of the total number of outstanding share of the company or rank as top-10 shareholders.
- (4) Not a manager specified under (1) or not a spouse, relative within the second-degree relatives, or lineal relative within the third degree by blood of any of the personnel specified under (2) and (3).
- (5) Not as a director, supervisor or an employee who directly holds more than 5% of the Company's total issued shares, the top five shareholders or representative designated to serve as a director or a supervisor of a corporate shareholder in accordance with Paragraphs 1 or 2 under Article 27 of the Company Act (This, nevertheless, does not apply to cases where the person is an independent director of the Company, its parent company or any subsidiary or a subsidiary with same parent company where the independent directors perform multiple duties concurrently among themselves in accordance with the Act or the laws and regulations of the local country).
- (6) Not as a director, supervisors or an employee of another company controls another company and the Company's directors or voting shares with one half majority (This, nevertheless, does not apply to cases where the person is an independent director of the Company, its parent company or any subsidiary or a subsidiary with same parent company where the independent directors perform multiple duties concurrently among themselves in accordance with the Act or the laws and regulations of the local country).
- (7) Not as a director (trustee), supervisor (supervising officer) or employee of another company or institution as the same person or the spouse thereof of the Company's chairman, general manager (Chief Executive Officer (CEO)) or person of equivalent position (This, nevertheless, does not apply to cases where the person is an independent director of the Company, its parent company or any subsidiary or a subsidiary with same parent company where the independent directors perform multiple duties concurrently among themselves in accordance with the Act or the laws and regulations of the local country).
- (8) Not as a director (trustee), supervisor (supervising officer), manager or a shareholder holding more than 5% of the shares of a specific company or institution in financial or business transaction with the Company (This, nevertheless, does not apply to a specific company or institution which holds more than 20%, less than 50% of the aggregate total outstanding shares of the Company, and where the company and its parent company, subsidiary or a subsidiary with the same parent company where the independent directors perform multiple duties concurrently among themselves according to the Act or the laws prevalent locally.)
- (9) Not as the professionals, the enterprise proprietor, partner, director (trustee), supervisor (supervisory officer), manager and the spouse thereof of sole proprietors, partners, companies or institutions rendering auditing, commercial, legal, financial, accounting and such relevant services to the Company or affiliated enterprises thereof with remuneration obtained over the past two years not beyond NT\$500,000. This, nevertheless, does not apply to a member of the Open Acquisition Committee, Remuneration Committee or Special Merger/Acquisition (M&A) Committee in accordance with Securities and Exchange Act, Business Mergers and Acquisitions Act and relevant laws.
- (10) Not been a person or any conditions defined in Article 30 of the Company Act.

2. Responsibility of Remuneration Committee

Remuneration Committee shall exercise duty of care in fulfilling the following functions, report to the Board of Directors by forwarding its recommendations:

- (1) Regular review of the charter of Remuneration Committee and develop improvement measures;
- (2) Formulation and periodical review of the annual and long-term performance of directors and managers, and the remuneration policy, system, standard and structure;
- (3) Regular assessment of target achievements by directors and managers and determine the contents and amounts of their individual remunerations accordingly.

3. Functioning of Remuneration Committee

- (1) Remuneration Committee consists of three members.
- (2) Tenure: from January 9, 2019 to January 8, 2022.

A total of 2 **【A】** meetings of the Remuneration Committee was convened in 2021. The attendance was as follows:

| Title | Name | Times of Actual Attendance in Person 【B】 | Times of Attendance by Proxy | Actual Attendance Ratio (%) (%) 【B/A】 (Note) | Remarks |
|-------------------|----------------|---|------------------------------|---|---------|
| Convener | King-Biau Lien | 2 | 0 | 100.00 | - |
| Commission member | Kun-Ming Lee | 2 | 0 | 100.00 | - |
| Commission member | Heng-Yih Liu | 2 | 0 | 100.00 | - |

Other matters to be noted in the meeting minutes:

1. If the Board of Directors refuses to accept or modify suggestions of the Compensation Committee, the meeting date, session, agenda content, results resolved by the Board of Directors, and the Company's treatment of opinion of the Compensation Committee should be clearly stated (for example, if the Board of Directors approved a compensation structure that is better than that suggested by the Compensation Committee, the circumstance of discrepancy and reason should be clearly stated): None
2. If the members have opposite opinion or reservations against the resolution of the Compensation committee and the opinion or reservations have been recorded or documented, the meeting date, session, agenda content, the opinion of all members of the Compensation committee, and the treatment of the members' opinion should be clearly stated: None
3. Discussion matters and resolution results of the compensation committee and the Responses of the Company to opinions of its members:

| Meeting date/session | Contents of proposal | Resolution result of the compensation committee |
|--|---|---|
| March 24, 2021/the 9 th meeting for the 1 st Committee | 1. Review the proposal for 2020 remunerations to employees and remunerations to directors 2. Proposal for 2020 performance evaluation of management and 2021 remunerations to management | Approved by all attending committee members |
| | Response of the Company to opinions of the compensation committees: Approved with consents of all attending directors | |

| | Meeting date/session | Contents of proposal | Resolution result of the compensation committee |
|--|--|---|---|
| | November 10, 2021/the 10 th meeting for the 1 st Committee | 1. Proposal for 2022 remunerations to directors 2. Proposal for 2022 remunerations to independent directors | Approved by all attending committee members |
| | | Response of the Company to opinions of the compensation committees: Approved with consents of all attending directors | |

(V) Promote Sustainable Development and the status on discrepancy and reasons in relation to the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies:

| Evaluation Items | Facts of performance | | | Status on discrepancy and reasons in relation to Sustainable Development Best Practice Principles for TWSE/ TPEX Listed Companies |
|--|----------------------|----|---|---|
| | Yes | No | Description in Summary | |
| 1. Has the Company established a governance structure and a designated (part time) unit for promoting sustainable development? Is the Board of Directors authorizing the senior management to handle and report the supervising situation to the Board of Directors? | ✓ | | The Board of the Company has promulgated "Sustainable Development Best Practice Principles" on August 31, 2018, and amended it as " Sustainable Development Best Practice Principles " on March 21, 2022 , which will be reported to the 2022 shareholders' meeting. The company has set up a "Corporate Social Responsibility" department in 2021, to be managed by the General Manager, who is responsible for the proposal and implementation of sustainable development policies, systems or related management guidelines and specific promotion plans. The Company will be reported to the Board about the implementation result and future goals at least once a year. The Board will hear the report of the administrative team each year to understand management measures and give advice when necessary. | |
| 2. Does the Company conduct environmental, social and governance risk assessments according to the principle of materiality, and formulate relevant risk management policies or strategies accordingly? | ✓ | | According to the materiality principle of sustainable development, the Company carried out relevant risk assessment of essential issues, according to the risks after evaluation, formulated relevant policies, please refer to Note1. | No significant differences. |
| 3. Environmental Issues (1) Does the Company establish a proper environmental management system in response to its industry characteristics? | ✓ | | (1)The Company has set up the corporate social responsibility department and formulated a sustainable development strategy, focusing on four aspects: products, environment, employees and community, setting environmental protection goals according to its industrial characteristics, supervising the sustainable practice of operating factories, and conducting evaluation and review. (a)Products: For green product certification, the Company demonstrates its commitment and ability to responsibly source and produce sustainable products by reducing the environmental footprint of their raw materials, as well as an emphasis on sustainable raw materials. (b)Environment: Energy conservation and | No significant differences. |
| (2) Does the Company endeavor to upgrade the utilization efficiency of various resources, and use the regenerated material with a low impact on environmental load? | ✓ | | | |

| Evaluation Items | Facts of performance | | | Status on discrepancy and reasons in relation to Sustainable Development Best Practice Principles for TWSE/ TPEX Listed Companies |
|--|----------------------|----|---|---|
| | Yes | No | Description in Summary | |
| (3) Does the Company assess existing and potential risks and opportunities associated with climate change and adopt the corresponding responses and measures? | ✓ | | <p>emission reduction, energy management, water resource management, waste management, chemicals management, wastewater management, workplace management.</p> <p>(2)Environmental protection actions.</p> <p>(a)Through Higg Index management and application of Higg FEM 3.0—Facility Environmental Module, the Company conducts standardized evaluation of the factory’s environmental operations and continues the improvement thereof</p> <p>(b)For the environment protection of offices, we advocate paperless office, use single-sided paper, and implement garbage classification, make full use of recyclable resources, promote energy-saving electricity and water use, use high-efficiency light bulbs, and control the temperature of air conditioners at 26°C. We fulfill the social responsibility of energy saving and carbon reduction, in order to reduce the burden on the environment</p> | |
| (4) Does the Company calculate the GHG emissions, water consumption and total wastes during the past two years, and formulate policies to achieve energy efficiency, reduction of carbon emissions, GHS emissions, water consumption or manage wastes? | ✓ | | <p>(c)The factories of overseas subsidiaries have built a complete sewage treatment system. The waste water is strictly treated before discharge in compliance with the discharge standard. Advanced biochemical reverse osmosis membrane technology is used to treat and reuse the printing and dyeing sewage. The sewage treatment capacity of China’s outsourced processing factories is 4,000 tons/day. The reuse rate of reclaimed water is 25%; the Cambodia factory is 7,000 tons/day</p> <p>(d)To save energy and reduce consumption, the overseas subsidiary factories adopt international advanced technology, introduce high-tech energy-saving and environmental</p> | |

| Evaluation Items | Facts of performance | | | Status on discrepancy and reasons in relation to Sustainable Development Best Practice Principles for TWSE/ TPEX Listed Companies |
|--|----------------------|----|--|---|
| | Yes | No | Description in Summary | |
| | | | <p>protection equipment, and reduce the liquor ratio from 1:8 to 1:4 for saving water and energy</p> <p>(e) For energy saving and emission reduction, China's outsourced processing factories use natural gas as a clean energy source, which is pollution-free and can effectively protect the environment. The Cambodian factory uses coal with low sulfur content as fuel, and uses high-efficiency/low-pollution clean-burning boilers to control the generation of pollutants from the source</p> <p>(3) The Company is well aware that climate change is the responsibility of all human beings, and has made improvements in the production process to reduce carbon emissions and achieve energy conservation and environmental protection</p> <p>(4) In 2016, the overseas subsidiary factories set a five-year environmental protection (2016-2020) target. Based on those in 2016, the energy consumption (MJ/Kg) was reduced by 25%, the water consumption (L/Kg) was reduced by 48%, and the amount of waste generated (g/Kg) is reduced by 31%, the proportion of chemicals Bluesign, dyes is 98%, and auxiliaries are 63%. In the next stage of the sustainable development goals (2020-2025), in addition to continuing to focus on energy and water efficiency, new targets such as renewable energy, carbon emissions, and waste transfer have been added, by setting multiple measurable and time-bound goals</p> | |
| <p>4. Maintenance of Community Public Welfare</p> <p>(1) Does the company establish related management policies and procedures in accordance with related laws and international covenants on human right?</p> | ✓ | | <p>(1) We formulate HR management charters and work rules according to local labor laws for our operations in different jurisdictions, to protect the legal rights of our employees. We also set up a union and regularly convene labor meetings to</p> | No significant differences. |

| Evaluation Items | Facts of performance | | | Status on discrepancy and reasons in relation to Sustainable Development Best Practice Principles for TWSE/ TPEX Listed Companies |
|---|----------------------|----|--|---|
| | Yes | No | Description in Summary | |
| | | | ensure a harmonious employment relationship. | |
| (2) Does the Company formulate and implemented an employee welfare scheme (including wages, holidays and other benefits) and reflected appropriately the business performance onto employee remunerations? | ✓ | | (2)The Company has set up a reasonable remuneration system, in conjuncture with performance reviews and aligned with company targets. We seek to achieve fairness and appropriateness for both rewards and punitive measures. | |
| (3) Does the company provide employees with a safe and healthy working environment, and implement safety and health education to employees on a periodical basis? | ✓ | | (3)The Company has provided a number of welfare policies for employees. Besides the social insurance regulated by laws and regulations, it also provides welfare measures such as employee travel, holiday gifts, afternoon tea in pleasure, department dinners and employee commercial insurance. In terms of employee remuneration. The Company has formulated reasonable remuneration and combined with the employee performance appraisal system and company policies to clearly divide rewards and punishments to achieve the principle of fairness and reasonableness. | |
| (4) Does the Company establish effective career competency development and training plans for employees? | ✓ | | (4)The Company organizes internal and external training schemes each year, to facilitate effective development of professional expertise and career prospects for employees. | |
| (5) Does the Company observe the relevant laws, regulations and international standards regarding the health, safety, customer privacy, marketing and labeling of products/services, and has formulated relevant policies and complaint procedures to protect the right of consumers? | ✓ | | (5)The Company maintains good communication with customers. There is also a transparent and effective channel for customers to complain about products and services. Those who have any question about the Company's products or services can reach out to our personnel. | |
| (6) Does the Company set up supplier management policies by requesting suppliers to adhere to relevant standards in environmental protection, occupational health & safety or labor & human rights and reporting their implementations accordingly? | ✓ | | (6)The Company conducts detailed assessment of suppliers to understand their environmental and social impacts. Going forward, we will strengthen our collaboration with suppliers in corporate social responsibility. We will suspend, in a timely manner, cooperative ties if any of our suppliers reports material hazards to the environment or the society. | |

| Evaluation Items | Facts of performance | | | Status on discrepancy and reasons in relation to Sustainable Development Best Practice Principles for TWSE/ TPEX Listed Companies |
|---|----------------------|----|--|---|
| | Yes | No | Description in Summary | |
| 5. Does the Company refer to internationally acceptable standards or guidelines for the compilation of CSR reports to disclose non-financial information? Are these reports confirmed or endorsed by third-party evaluation organizations? | | ✓ | Referring to GRI standards, the Company formulated the sustainable development report, as the basis for the company's internal management and communication with brand customers. In the future, depending on the needs, the Company will evaluate and obtain the assurance or guarantee opinions from a third certification entity. | Planned organizational structure based on the current status, relevant laws, and regulations |
| 6. If the Company promulgate its own rules for corporate governance practice according to “ Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies”, please describe the difference between its operation and these rules: In order to implement corporate social responsibility, the Company has established “Sustainable Development Practice Principles”, and it will continue to implement and execute it with all colleagues of the Company according to the norms and spirit of “Sustainable Development Practice Principles”. | | | | |
| 7. Other important information facilitating to understand the operation status of corporate social responsibility: None | | | | |

Note 1 : Description of risk assessments for material issues

| Material Topics | Risk Assessment Item | Management Strategy |
|-----------------|--|---|
| Environment | Emissions | <ul style="list-style-type: none"> Using new technologies, new processes, new equipment and new energy, we strive to minimize resource consumption and reduce pollutant generation and emissions. |
| | Energy | <ul style="list-style-type: none"> For the use of equipment, priority is given to replacing equipment with high-efficiency and low-energy consumption models The waste water heat energy recovery device is adopted to increase the normal temperature water to 50 °C, which is directly used in the dyeing process to reduce the steam consumption. We set energy-saving management goals, regularly evaluate energy consumption, and formulate relevant improvement measures to achieve the goal of sustainable development. |
| | Wastewater and sewage | <ul style="list-style-type: none"> The Company invested nearly 3 million US dollars to build a complete sewage treatment system, using advanced biochemical reverse osmosis membrane technology for treatment. |
| Society | Employment | <ul style="list-style-type: none"> Remuneration Policy: No discrimination based on gender, age, race, religion, political affiliation, marital status, etc. Formulate and implement relevant standards for human rights management: prohibition of forced labor, prohibition of child labor, non-discrimination, respect for freedom of association, respect for privacy, emphasis on employee health, safety and work balance. |
| | Employee diversity and equal opportunity | |
| | Human rights assessment | |
| | Care measures | <ul style="list-style-type: none"> The Company has set up a care team to provide employees with mental health care measures. Employees who cannot return to their hometowns to celebrate the New Year during the pandemic are also given relevant subsidies. |
| | Education and Training | <ul style="list-style-type: none"> The Company builds a corporate university and organizes employee education and training programs from time to time to enrich employee skills, improve work ability and quality, and further increase operational performance to achieve the goal of enhancing corporate competitiveness. |

| Material Topics | Risk Assessment Item | Management Strategy |
|----------------------|--------------------------|---|
| Corporate Governance | Socioeconomic Compliance | <ul style="list-style-type: none"> • Regularly review and actively follow up on changes in government regulations. • Raise employees' compliance awareness via education, training, and compliance announcements. • Through the implementation of the internal control mechanism, it is ensured that all personnel and operations of the Company are fully in compliance with relevant laws and regulations. |
| | Economic performance | <ul style="list-style-type: none"> • Investment of more resources in technology innovation, quality improvement, and reduction of manufacturing cost. |
| | Anti-corruption | <ul style="list-style-type: none"> • Promote the Company's core value of "integrity" during training courses for new employees. • Set up an independent mailbox for whistleblowing. |

(VI) The Company's fulfillment of the integrity management situation and adopted measures and The Difference Situation and Reason to Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies

| Evaluation Items | Facts of performance (Note 1) | | | Status on discrepancy and reasons in relation to Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies |
|--|-------------------------------|----|---|---|
| | Yes | No | Description in Summary | |
| <p>1. Establishment of policy and measures of ethical management.</p> <p>(1) Does the Company establish business ethics code and have it approved by the Board of Directors? Does the Company specify in external documents its policy, practice of operation in good faith in its corporate statutes and bylaws and the commitment from the Board of Directors and senior management to its operation policy?</p> <p>(2) Has the Company put in place an assessment mechanism for the risks associated with dishonest behavior, and regularly analyzed and assessed the operating activities exposed to higher risks of dishonest behavior, and formulated preventive measures accordingly and covering at least the preventive measures specified in the second paragraph of Article 7, the Ethical Corporate Management Best Practice Principles TWSE/GTSM Listed Companies?</p> <p>(3) Does the Company specify a scheme to prevent dishonest behaviors, and expressly describe in operation procedures, conduct guidelines, punitive measures and compliant channels accordingly, in order to properly implement the abovementioned scheme?</p> | <p>✓</p> <p>✓</p> <p>✓</p> | | <p>(1) The Company has set up the Ethical Corporate Management Best Practice Principles by emphasizing the importance of integrity and honesty. These principles are incorporated into the internal control system so that our directors, managers, and employees are aware and adhering to.</p> <p>(2) The Company has set up the Operational Procedures and Behavioral Guidelines in Ethical Corporate Management. These procedures and guidelines are for our day-to-day operations. To ensure our business integrity, we have established an effective accounting system and an internal control system. Internal auditors regularly inspect the compliance with the abovementioned rules and regulations in place.</p> <p>(3) The Company adheres to business integrity and ethics. We strictly prohibit bribery giving and taking and we specifically disallow illegal donations.</p> | No significant differences. |
| <p>2. Thorough implementation of ethical corporate management</p> <p>(1) Does the Company evaluate the record of ethics of the transaction parties, and expressly specify clauses dealing with behaviors of ethics in the signed contracts of the transaction parties?</p> <p>(2) Has the Company established a unit under the Board of Directors to promote corporate operation in good faith, and regularly report to the Board of Directors (at least once per year) its execution and oversight of the business ethics policy and prevention of dishonest behavior?</p> | <p>✓</p> <p>✓</p> | | <p>(1) Before engaging in any transactions, we collect as much information as possible about the creditworthiness and reputation of counterparties, to prevent any frauds or deceits.</p> <p>(2) The Chairman's Office oversees our business code of conduct, and reports to the Board of Directors after periodical inspections.</p> | No significant differences. |

| Evaluation Items | Facts of performance (Note 1) | | | Status on discrepancy and reasons in relation to Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies |
|--|-------------------------------|----|---|---|
| | Yes | No | Description in Summary | |
| (3) Does the Company stipulate a policy of preventing interest conflict, provide due statement channels, and actualize the execution? | ✓ | | (3) Directors may not discuss or vote in the issues where themselves or their representatives are an interested party and the conflict of interest may be detrimental to the best interest of the Company. They may, however, express opinions and answer questions. | |
| (4) Has the Company established an effective accounting system and an internal control system to implement operation in good faith, designated internal auditors or commissioned external auditors accordingly to formulate audit plans based on the assessment of risks associated with dishonest behavior as the basis for the audit of dishonest behaviors? | ✓ | | (4) The Company has put in place an effective accounting and internal control system. Internal auditors periodically inspect the compliance to the abovementioned system. | |
| (5) Does the company hold internal, external educational training for ethical corporate management on a periodical basis? | ✓ | | (5) The Company organizes internal and external training & education programs, on an ad-hoc basis and as required, to advocate the importance of ethics. | |
| 3. Operation Status of Corporate Reporting System of an Offense | | | | No significant differences. |
| (1) Does the Company establish substantial offense reporting and incentive systems, and establish convenient offense reporting channels, and assign proper exclusively responsible personnel to accept the reported subject of an offense? | ✓ | | (1) The Company has set up a letterbox for whistleblowing. If any behavior breaching laws or code of conduct is identified, our dedicated personnel will report and respond accordingly. Responsible business units will be involved if the breach is material. Relevant details, responses and follow-up improvements shall be reported to the Board of Directors. | |
| (2) Has the Company established the standard investigational procedures of receiving whistle-blowing reports, subsequent measures after investigations and the confidentiality mechanism? | ✓ | | (2) The Company has set up an internal communication channel, managed by the Chairman's Office. Confidentiality of relevant information is ensured. | |
| (3) Does the company take measures to protect an offense reporting party from suffering improper disposition due to an offense report? | ✓ | | (3) The Chairman's Office will protect the whistleblower from improper treatment. | |
| 4. Strengthen Information Disclosure Does the company disclose the content of Ethical Corporate Management Best Practice Principles and promotion performance in its website and Market Observation Post Site? | ✓ | | The Company has set up a corporate social responsibility system and discloses relevant information on our official website. | No significant differences. |

| Evaluation Items | Facts of performance (Note 1) | | | Status on discrepancy and reasons in relation to Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies |
|------------------|---|----|------------------------|---|
| | Yes | No | Description in Summary | |
| 5. | If the Company has duly enacted Ethical Corporate Management Best Practice Principles in accordance with “Ethical Corporate Management Best Practice Principles for TSEC/GTSM Listed Companies”, please elaborate the discrepancy between the substantial performance and the Ethical Corporate Management Best Practice Principles: None | | | |
| 6. | Other significant information which would help better understand the performance by the Company in Ethical Corporate Management Best Practice Principles: None | | | |

(VII) If the Company has established corporate governance principles and relevant regulations, they should disclose how to inquire relevant information:

The Company has set up corporate governance principles and relevant regulations such as Code of Conduct, Ethical Corporate Management Best Practice Principles, and Operational Procedures and Behavioral Guidelines in Ethical Corporate Management. All these corporate governance charters and regulations are posted at Corporate Governance section of our official website, so that investors can inquire and download.

(VIII) Other important information that can help to understand how the Company’s corporate governance functions: None

- (IX) The following information concerning the implementation of the internal control system should be disclosed:

1. Internal Control Statement:

TST Group Holding Ltd.
Statement on Internal Control System

Date: March 21, 2022

The Company's internal control system for 2021 is announced according to the results of self-evaluation, and the following is a summary thereof:

1. The Company acknowledges that the establishment, implementation and maintenance of the internal control System are the responsibilities of the Board of Directors and the managers of the Company, and the Company has established such a system. Our internal control process is designed to provide reasonable assurance over the effectiveness and efficiency of our operations (including profitability, performance and safeguarding of assets), reliability, timeliness, transparent our reporting, and compliance with applicable rulings, laws and regulations, to ensure reasonable assurance thereof.
2. The internal control system has inherent limitations. No matter how complete their design, effective internal control systems are limited to providing reasonable assurance of the aforementioned three objectives. Moreover, in light of the environment and changes in circumstances, internal control system effectiveness may also be affected. However, the Company's internal control system contains self-monitoring mechanisms, and when any fault is noted, the Company immediately deploys corrective action.
3. The Company has made its judgments as to components of, and the effectiveness of the design and implementation of the internal control systems according to the "Regulations Governing the Establishment of Internal Control Systems by Public Companies" (hereinafter referred to as the "Compliance Guidelines"). The internal control system adopted in the "Compliance Guidelines" involves the process of management control, and is divided into five elements:
 1. The control environment, 2. Risk assessment, 3. Control processes, 4. Information communication, and 5. Supervision operations. Each constituent element includes a number of items. For the aforementioned items, please refer to the "Compliance Guidelines"
4. The Company has adopted the abovementioned internal control system assessment items to evaluate the effectiveness of the internal control system design and implementation.
5. In accordance with the Company's aforementioned evaluation, the Company found that its internal control system(including the assessment and management of subsidiaries)including efficacy of understanding operations ,efficiency of achievement of objectives ,reliability in reporting, timeliness, and compliance with the relevant Guidelines and law, indicate that the internal control system design and implementation are effective, and can reasonably provide assurance of the aforesaid goals as of December 31, 2021.
6. The Company has commissioned a CPA project to audit the external financial report reliability and assets security protection (prevent the assets from been acquired, used, or disposed of without authorization) related internal control system for the aforesaid period pursuant Article 28 of the Governing Regulations. and Article 4 of Taiwan Stock Exchange Corporation Rules for Regulating Primary Listed Foreign Issuers As stated in the preceding paragraph, the system's design and execution are effective and do not have significant defect that can affect the recording, processing, aggregation, and reporting of financial information or impact the assets security protection used to prevent assets from being acquired, used, or disposed of without authorization.

7. This Declaration will become the main content of the Company's annual report and public statement, and shall be made public. For any falsehood, concealment, or other illegality in the content made public, there will be involved in legal liability under Articles 20, 32, 171, and 174 of the Securities and Exchange Law.
8. The Statement has been agreed to by the Company's Board of Directors on March 21, 2022, where none of the 7 directors present voted against the resolution, and the remaining directors thus all agreed with the content of the Statement, and such is now attested to.

TST Group Holding Ltd.

Chairman: XINGMAO GROUP HOLDINGS LIMITED
LIN, CHIN-MAO

General Manager: LIN, CHING-WEI

2. The report by external auditors should be disclosed if external auditors were commissioned to review the internal control system:

Internal Control Systems' Compliance Report

PWCR21017772

Attached is the March 21, 2022 assessment of the internal control system of TST Group Holding Ltd. and subsidiaries and its external financial reports and assurance of its protection of assets, with the Attestation of December 31, 2021 as to effective design and implementation thereof, duly approved upon conclusion of audit by the CPA. The internal control system and evaluation of its effectiveness are responsibilities of the Company's management, and this CPA is responsible in accordance with the results of the audit to express an opinion of the effectiveness of the Company's internal control system and the aforementioned Attestation regarding the Company's internal control system.

The CPA has conducted the audit review in accordance with the "Regulations Governing Establishment of Internal Control Systems by Public Companies" and the audit standards generally accepted in the Republic of China to ensure that the Company maintains a reasonable assurance on all material aspects of the internal control system. The audit review work includes understanding the Company's internal control system, evaluation of management levels' processes of evaluation of the effectiveness overall internal control system, and testing and evaluation of the effectiveness of the design and implementation of the internal control system, as well as any other audit review procedures that the CPAs deem necessary. The CPAs believe that this audit review work provides a reasonable ground for our opinion.

Any internal control system has its inherent limitations, therefore, the above internal control systems of TST Group Holding Ltd. and subsidiaries, may not be able to prevent or detect errors or fraud that have taken place. Furthermore, future environmental changes may result in reduced efficacy of the internal control system. Hence, while the internal control system is deemed effective for this period, this does not mean that it will be effective in the future.

In accordance with the opinion of the CPAs, and in light of the provisions of the Regulations Governing Establishment of Internal Control Systems by Public Companies as to the items reviewed for internal control efficacy determinations, TST Group Holding Ltd. and subsidiaries and its design and implementation of internal control systems governing external financial reports and assuring protection of assets are deemed to continue to be effective in all material respects as of December 31, 2021. Also as of March 21, 2022, the Attestation of TST Group Holding Ltd. and subsidiaries regarding effective design and implementation of internal control systems for external financial reports and assuring protection of assets is found reasonable in all material respects.

Juanlu, Man-Yu

For and on behalf of PricewaterhouseCoopers, Taiwan
March 21, 2022

Lin, Ya-Hui

- (X) During the most recent year and as of the print date of this annual report, any legal publication on the Company and internal personnel, or punitive measures imposed by the Company to its internal personnel due to violation of internal control rules, major breaches and improvements:

Letter No. Taiwan-Stock-Listing-II-11117000241 of the Taiwan Stock Exchange Corporation stated that the Company violated the following matters:

- (1) The amount of endorsement/guarantee provided by the Company to a subsidiary in excess of thirty million NT dollars and five percent of net worth of financial statements in most recent year violated Subparagraph 22 of Paragraph 1 of Article 4 of Taiwan Stock Exchange Corporation Procedures for Verification and Disclosure of Material Information of Companies with Listed Securities.
- (2) The acquisition of right-of-use assets from related party by the subsidiary violated Subparagraph 20 of Paragraph 1 of Article 4 of Taiwan Stock Exchange Corporation Procedures for Verification and Disclosure of Material Information of Companies with Listed Securities.

For the above matters, proactive report was made upon finding thereof, and the occupational training for the responsible reporting unit has been enhanced. No same circumstance occurs again after receipt of the letter from the Exchange.

- (XI) During the most recent year and as of the print date of this annual report, any important decisions from shareholder meetings and Board of Director meetings:

1. Important decisions from shareholder meetings:

| Meeting date (yy/mm/dd) | Key decisions | Implementation |
|----------------------------|--|--|
| 2021.08.11 | 1. Rectification of 2020 Consolidated Financial Statements and Report of Operating Results | The 2020 consolidated financial statements and business report were compiled by the Company. The consolidated financial have been audited by CPAs Man-Yu Juanlu and Ya-Hui Lin of PwC Taiwan. Such financial statements and business report have been submitted to and then have been audited by the Audit Committee for the issue of the audit report, for the ratification by the General Meeting of Shareholders. |
| | 2. Rectification of 2020 Distribution of Earnings | The Company's reported 2020 earnings after-tax of NT\$416,040,085. After the allocation of NT\$70,472,460 to the statutory surplus reserve and adding to the unappropriated retained earnings at the beginning of the term of NT\$160,259,117, the distributable earnings in accumulation at NT\$505,826,742. The Company intends to distribute a cash dividend of NT\$ 6.5 per share, for a total of NT\$203,768,5000. September 12, 2021 is set as the ex-dividend date, and all dividends have been distributed on October 7, 2021 in accordance with the resolution of the shareholders' meeting |
| | 3. Amendment of some articles of the Procedures for Election of Directors | Effective after the shareholders meeting |
| | 4. Amendment of some articles of the Rules of Procedure for Shareholders Meetings | Effective after the shareholders meeting |
| | 5. Issuance of new restricted employees' shares (RSU) | Total: Number of common shares 600,000 shares Price: New shares of restricted stock unit is the issuance of bonus shares. The Company has not yet applied to the relevant competent authority for approval |

2. Important decisions from board meetings:

| Meeting date | Key decisions | Implementation |
|--------------|---|---------------------------------------|
| 2021.1.21 | 1. Approve the additional capital injection to Thrive Nation Group Limited through the subsidiary, TST International Group Limited | Approved by all independent directors |
| | 2. The proposal for the establishment of new subsidiary in Vietnam through the Company's subsidiary, Thrive Nation Group Limited | |
| 2021.3.24 | 1. Review the proposal for 2020 remunerations to employees and remunerations to directors | Approved by all independent directors |
| | 2. Review of 2020 Internal Control Statement | |
| | 3. Review of 2020 Consolidated Financial Statements and Report of Operating Results | |
| | 4. Review of 2020 distribution of earnings | |
| | 5. Amendment of some articles of the Procedures for Election of Directors | |
| | 6. Amendment of some articles of the Rules of Procedure for Shareholders Meetings | |
| | 7. The evaluation of independence of the external CPA who certifies the Company's financial reports. | |
| | 8. Issuance of new restricted employees' shares (RSU) | |
| | 9. Convening of 2021 General Meeting of Shareholders | |
| 2021.05.12 | 1. Review Q1 of 2021 consolidated financial statements | Approved by all independent directors |
| | 2. Approve 2021 renewal of liability insurances for directors and management | |
| | 3. Approve proposal for additional capital inject to Thrive Nation Group Limited through the subsidiary, TST International Group Limited | |
| 2021.7.15 | 1. Approve the proposal to increase the fund of investment for setting up the factory in Vietnam. | Approved by all independent directors |
| | 2. Reschedule the date and venue of the 2021 General Meeting of Shareholders. | |
| 2021.08.19 | 1. Review Q2 of 2021 consolidated financial statements | Approved by all independent directors |
| 2021.11.10 | 2. Review Q3 of 2021 consolidated financial statements | Approved by all independent directors |
| 2021.12.8 | 1. Approve the proposal of 2022 operation plan and budget | Approved by all independent directors |
| | 2. Approve the proposal of 2022 audit plan | |
| | 3. Approve the proposal for Top Star Textile Limited to apply for the investment of the Structured Notes via Citibank. | |
| 2022.2.23 | 1. Approve the proposal for the Group's acquisition of right-of-use assets from related parties. | Approved by all independent directors |
| | 2. Approve the proposal for signing the memorandum which acquires the equity interest in Zhenjiang Dongfeng Garment Co., Ltd. through the Subsidiary. | |

| Meeting date | Key decisions | Implementation |
|--------------|--|---------------------------------------|
| 2022.3.21 | 1. Review the proposal for 2021 remunerations to employees and remunerations to directors | Approved by all independent directors |
| | 2. Review the proposal for 2021 statement of internal control statement | |
| | 3. Review of 2021 consolidated financial statements and business report | |
| | 4. Review the proposal for 2021 distribution of earnings | |
| | 5. Review the proposal for Issue of New Shares via Capitalization of 2021 Retained Earnings | |
| | 6. Amendment of the Procedures for Acquisition or Disposal of Assets | |
| | 7. Amendment of some articles of Corporate Social Responsibility Best Practice Principles | |
| | 8. Approve the proposal of the role of the Company acting as the financing co-guarantor that provides the financing limit and derivatives trading limit provided through Bank SinoPac, Hong Kong Branch to Top Star Textile Vietnam Co., Ltd. and Top Sports Textile Limited | |
| | 9. Approve the proposal of the role of the Company acting as financing co-guarantor that provides the common bank financing limit and derivatives trading limit provided through Taishin International Bank, Hong Kong Branch to Top Star Textile Vietnam Co., Ltd., and Top Sports Textile Limited. | |
| | 10. Approve the proposal for changing the quota in making of Endorsements/Guarantees of Chintex Enterprises Limited | |
| | 11. The evaluation of independence of the external CPA who certifies the Company's financial reports. | |
| | 12. Approve the proposal for receiving the nomination period for directors and independent directors' candidates, the number of independent directors to be elected and the place for receiving | |
| | 13. Approve the proposal for a slate of the directors and independent director candidates during the board of directors meeting | |
| | 14. Release on the prohibition of non-competition for the newly appointed directors and their representatives | |
| | 15. Convening of 2022 General Meeting of Shareholders | |

- (XII) During the most recent year and as of the print date of this annual report, any different opinions from directors or supervisors on important decisions by the Board of Directors and such differences are recorded or stated in writing: None
- (XIII) During the most recent year and as of the print date of this annual report, any resignation by or dismissal of Chairman, General Manager, accounting supervisors, financial supervisors, internal audit supervisors or R&D supervisors: None

V. Information on Certified Public Accountant's audit fees

(I) Audit fee scale

| Name of CPA firm | Name of CPA | | Duration covered in the audit | Remarks |
|--|---------------|------------|-------------------------------|---------|
| PricewaterhouseCoopers Taiwan (PwC Taiwan) | Man-Yu Juanlu | Ya-Hui Lin | Year 2021 | - |

Unit: NT\$ thousand

| Contents of fees | | Audit fees | Non-audit fees | Total |
|------------------|--|------------|----------------|-------|
| Amount scale | | | | |
| 1 | Below \$2,000 thousand | | V | |
| 2 | \$2,000 thousand (inclusive) ~ \$4,000 thousand | | | |
| 3 | \$4,000 thousand (inclusive) ~ \$6,000 thousand | V | | V |
| 4 | \$6,000 thousand (inclusive) ~ \$8,000 thousand | | | |
| 5 | \$8,000 thousand (inclusive) ~ \$10,000 thousand | | | |
| 6 | Above \$10,000 thousand (inclusive) | | | |

- (II) Where the fees paid to the Certified Public Accountant, the office of the Certified Public Accountant and its affiliates as non-audit fee that accounts for over one quarter of the aggregate total of audit fee, the amounts of the audit and non-audit services and the contents of the on-audit services should be disclosed, respectively:

Unit: NT\$ thousand

| Name of CPA firm | Name of CPA | Audit fees | Non-audit fees | | | | | Duration covered in the audit by CPA | Remarks |
|------------------|-----------------------------|------------|----------------|-------------------------|-----------------|--------|----------|--------------------------------------|------------------------|
| | | | System design | Commercial registration | Human resources | Others | Subtotal | | |
| PwC Taiwan | Man-Yu Juanlu Ya-Hui Lin | 4,663 | - | - | - | 1,260 | 1,260 | Year 2021 | Internal Control Audit |

- (III) Reasons for change of external auditors and audit fees before and after, particularly when the audit fee for the first year of the new auditors is lower than the fee paid to the replaced auditors during the previous year: None
- (IV) Reduced amount, percentage and reason if audit fee is cut down by 10% or more than the previous year: Information of a change (replacement) in the Certified Public Accountants (CPAs): None

VI. Information on replacement of CPA

- About the former CPAs: N/A
- About the succeeding CPAs: N/A
- Response from previous external auditors: N/A

VII. The Company's Chairman, General Manager, managers in charge of financial affairs and accounting who have served with the office of a Certified Public Accountant or its affiliates: None

VIII. The fact that during the most recent year and as of the print date of this annual report, transfer of shares, pledge or change in equity held by the directors, supervisors, managers and major shareholders holding over 10% of the aggregate total

(I) Change of holdings by directors, supervisors, managers, and major shareholders with 10% stakes or higher

Unit: thousand shares

| Title | Name | Year 2021 | | As of April 17, 2022 | |
|---|---|------------------------------------|---------------------------------------|------------------------------------|---------------------------------------|
| | | Increase (decrease) in shares held | Increase (decrease) in shares pledged | Increase (decrease) in shares held | Increase (decrease) in shares pledged |
| President cum over 10% major shareholder | Chin-Mao Lin | - | - | - | - |
| Chairman cum major shareholders with 10% stakes | Xingmao Group Holdings Limited Representative: Chin-Mao Lin | - | - | - | - |
| Director cum General Manager | Ching-Wei Lin | - | - | - | - |
| Director cum Chief Operating Officer (COO) | Hsiang-Ming Hung | (1) | - | - | - |
| Director | Chia Mei Investment Co., Ltd. Representative: Chiung-Shiung Tung | - | - | - | - |
| Independent Director | King-Biau Lien | - | - | - | - |
| Independent Director | Kun-Ming Lee | - | - | - | - |
| Independent Director | Heng-Yih Liu | - | - | - | - |
| Chief Financial Officer (CFO) | Tat-Shing Tang | - | - | - | - |

(II) Affiliated counterparties for transfer of shares by directors, supervisors, managers, and major shareholders with 10% stakes or higher: None

(III) Affiliated counterparties for collateralization of shares by directors, supervisors, managers, and major shareholders with 10% stakes or higher: None

IX. Top 10 shareholders who are related parties, spouses or relatives with two degrees

As of April 17, 2022; Unit: Thousands Shares; %

| Name | Shares held by principal | | Shares held by Spouse & Minor | | Total shares held by Nominee Arrangement | | Names and Relations of Top 10 Major Shareholders who are Related Party or Spousal Relationship or are within the Second Degree of Kinship | | Remarks |
|---|--------------------------|--------------------|-------------------------------|--------------------|--|--------------------|---|--------------------|---------|
| | Number of Shares | Shareholding ratio | Number of Shares | Shareholding ratio | Number of Shares | Shareholding ratio | Title (or Name) | Relation | |
| Xingmao Group Holdings Limited Representative: Chin-Mao Lin | 10,640 | 33.78 | - | - | - | - | Chin-Mao Lin | 100% Shareholder | - |
| | | | | | | | Big Loyal Group Limited, and Happy Time International Investment Limited | Same Shareholder | - |
| Chin-Mao Lin | 2,570 | 8.16 | - | - | 13,630 | 43.27 | Xingmao Group Holdings Limited 、 Big Loyal Group Limited & Happy Time International Investment Limited | 100% Shareholder | - |
| Big Loyal Group Limited Representative: Chin-Mao Lin | 2,070 | 6.57 | - | - | - | - | Chin-Mao Lin | 100% Shareholder | - |
| | | | | | | | Xingmao Group Holdings Limited & Happy Time International Investment Limited | Same Shareholder | - |
| Excellent Treat Limited Representative Chang Fang | 2,000 | 6.35 | - | - | - | - | - | - | - |
| Abico Avy Co., Ltd. Representative: Chun-Jen Tung | 1,410 | 4.48 | - | - | - | - | Abico Asia Capital Corporation | Affiliated Company | - |
| Sunny Earn International Holdings Limited Representative: Ching-Wei Lin | 1,380 | 4.38 | - | - | - | - | Ching-Wei Lin | 100% Shareholder | - |
| | | | | | | | - | - | - |
| Business Department of Standard Chartered in Custody for Credit Suisse - investment specialized account of Credit Suisse, Singapore | 1,351 | 4.29 | - | - | - | - | - | - | - |
| Nova Genesis Limited Representative: Han Peng | 1,035 | 3.29 | - | - | - | - | - | - | - |
| Abico Asia Capital Corporation Representative: Fa-Ta Hsieh | 1,030 | 3.27 | - | - | - | - | Abico Avy Co., Ltd. | Affiliated Company | - |
| Happy Time International Investment Limited Representative: Chin-Mao Lin | 920 | 2.92 | - | - | - | - | Chin-Mao Lin | 100% Shareholder | - |
| | | | | | | | Big Loyal Group Limited & Xingmao Group Holdings Limited | Same Shareholder | - |

X. Holdings by directors, managers or the entities directly or indirectly controlled by the Company in the same investee

As of December 31, 2021; Unit: Thousand Shares; %

| Reinvested companies | Investment by this Company | | Investment by directors, supervisor, manager and directly or indirectly controlled company | | Syndicated investment | |
|---|----------------------------|------------------------|--|------------------------|-----------------------|------------------------|
| | Number of Shares | Shareholding ratio (%) | Number of Shares | Shareholding ratio (%) | Number of Shares | Shareholding ratio (%) |
| Bumper(BVI) | 23,000 | 100% | - | - | 23,000 | 100% |
| TST(BVI) | 7,000 | 100% | - | - | 7,000 | 100% |
| THRIVE | 15,000 | 100% | - | - | 15,000 | 100% |
| TSP | 22,000 | 100% | - | - | 22,000 | 100% |
| Top Star | 30,000 | 100% | - | - | 30,000 | 100% |
| Chintex Enterprises Limited | Note 1 | 100% | - | - | Note 1 | 100% |
| Guangzhou Runwell Knits Textile | Note 1 | 100% | - | - | Note 1 | 100% |
| Guangzhou Chintex Management Consulting Co., Ltd. | Note 1 | 100% | - | - | Note 1 | 100% |
| Hubei Zhongsheng Textile | Note 1 | 35% | - | - | Note 1 | 35% |
| TST(Vietnam) | Note 1 | 100% | - | - | Note 1 | 100% |
| TSP(Vietnam) | Note 1 | 100% | - | - | Note 1 | 100% |

Note 1: A limited company, without shares issued

Four. Facts of Capital Raising

I. Capital and Shares

(I) Source of Share Capital:

Record Date: April 17, 2022 / Unit: thousand shares; NT\$ thousand

| Month/Year | Par value | Issue price (Dollar) | Authorized capital | | Paid-in capital | | Remarks | | |
|-------------------------------|-----------|----------------------|--------------------------|-----------------|--------------------------|-----------------|--|----------------------------------|-------|
| | | | Number of shares (Share) | Amount (Dollar) | Number of shares (Share) | Amount (Dollar) | Source of Capital | Paid by property other than cash | Other |
| 05/2013 | US\$1 | US\$1 | 50 | 50 | 1 share | \$1 | Initial paid-in capital | - | - |
| 06/2018 | US\$1 | US\$1 | 7,050 | 7,050 | 7,000 | 7,000 | - | Long-term investment | - |
| Par value converted to NT\$10 | | | | | | | | | |
| 08/2018 | NT\$10 | NT\$10 | 60,000 | 600,000 | 23,000 | 230,000 | - | - | - |
| 02/2019 | NT\$10 | NT\$95 | 60,000 | 600,000 | 28,000 | 280,000 | Cash injection 5 million shares | - | - |
| 12/2019 | NT\$10 | NT\$158 | 60,000 | 600,000 | 31,500 | 315,000 | capital increase by cash 3,500 thousand shares | - | Note |

Note: Letter No. Taiwan-Stock-Listing-II-10817030851 of the Taiwan Stock Exchange Corporation

Unit: Shares

| Kind of Share | Authorized capital | | | Remarks |
|----------------------------|--------------------|-----------------|------------|----------------|
| | Outstanding shares | Unissued shares | Total | |
| Registered ordinary shares | 31,500,000 | 28,500,000 | 60,000,000 | Listed Company |

Note: 31,500,000 shares outstanding (including 151,000 treasury shares)

(II) Structure of shareholders

As of April 17, 2022; Unit: Shares; %

| Structure of Shareholder | Government agencies | Financial institutions | Other juristic persons | Individuals | Foreign institutions and foreigners | Treasury shares | Total |
|--------------------------|---------------------|------------------------|------------------------|-------------|-------------------------------------|-----------------|------------|
| Quantity | | | | | | | |
| Number of shareholders | - | - | 18 | 828 | 41 | 1 | 888 |
| Shares held (Share) | - | - | 4,025,000 | 7,278,000 | 20,046,000 | 151,000 | 31,500,000 |
| Shareholding ratio (%) | - | - | 12.78 | 23.10 | 63.64 | 0.48 | 100.00 |

In compliance with Article 3 of the Measures Governing Investment Permit to the People of the Mainland Area, the aggregate holding of natural persons, legal persons, group, other institutions from Mainland China or companies investing in third regions was 9.63%.

(III) Facts of disperse of shareholding

As of April 17, 2022; Unit: Shares; %

| Shareholding grading (shares) | Number of shareholders | Number of shares held | Shareholding ratio (%) |
|-------------------------------|------------------------|-----------------------|------------------------|
| 1 to 999 | 93 | 5,171 | 0.02 |
| 1,000 to 5,000 | 608 | 1,131,590 | 3.59 |
| 5,001 to 10,000 | 66 | 512,000 | 1.63 |
| 10,001 to 15,000 | 27 | 348,000 | 1.10 |
| 15,001 to 20,000 | 22 | 406,000 | 1.29 |
| 20,001 to 30,000 | 18 | 448,000 | 1.42 |
| 30,001 to 40,000 | 8 | 276,000 | 0.88 |
| 40,001 to 50,000 | 11 | 532,000 | 1.69 |
| 50,001 to 100,000 | 14 | 1,093,239 | 3.47 |
| 100,001 to 200,000 | 10 | 1,480,000 | 4.70 |
| 200,001 to 400,000 | - | - | - |
| 400,001 to 600,000 | - | - | - |
| 600,001 to 800,000 | - | - | - |
| 800,001 to 1,000,000 | 2 | 1,782,000 | 5.66 |
| Above 1,000,001 | 9 | 23,486,000 | 74.55 |
| Total | 888 | 31,500,000 | 100.00 |

(IV) List of Major shareholders

Names, number of shares and percentages of holdings by shareholders with 5% stakes or higher or top ten major shareholders

As of April 17, 2022; Unit: Shares

| Name of Major shareholders | Shares | Number of shares held | Shareholding ratio (%) |
|---|--------|-----------------------|------------------------|
| Xingmao Group Holdings Limited Representative: Chin-Mao Lin | | 10,640,000 | 33.78 |
| Chin-Mao Lin | | 2,570,000 | 8.16 |
| Big Loyal Group Limited Representative: Chin-Mao Lin | | 2,070,000 | 6.57 |
| Excellent Treat Limited Representative: Chang Fang | | 2,000,000 | 6.35 |
| Abico Avy Co., Ltd. Representative: Chun-Jen Tung | | 1,410,000 | 4.48 |
| Sunny Earn International Holdings Limited Representative: Ching-Wei Lin | | 1,380,000 | 4.38 |
| Business Department of Standard Chartered in Custody for Credit Suisse - investment specialized account of Credit Suisse, Singapore | | 1,351,000 | 4.29 |
| Nova Genesis Limited Representative: Han Peng | | 1,035,000 | 3.29 |
| Abico Asia Capital Corporation Representative: Fa-Ta Hsieh | | 1,030,000 | 3.27 |
| Happy Time International Investment Limited Representative: Chin-Mao Lin | | 920,000 | 2.92 |

- (V) Market value per share, net value per share, and earnings per share during the most recent two years and other relevant information

Unit: NT\$ thousand; thousand shares

| Item \ Year | | Year 2020 | Year 2021 | As of March 31, 2022 |
|----------------------------------|---|---------------------------------------|-----------|----------------------|
| Market price per share (\$) | Highest | 184.00 | 171.5 | 138.00 |
| | Lowest | 94.10 | 130.5 | 123.00 |
| | Average | 140.52 | 147.56 | 131.54 |
| Net Value per share (\$) | Before distribution | 76.64 | 79.18 | 86.29 |
| | After distribution | 70.17 | Note 2 | - |
| Earnings per share | Weighted average shares (Thousand shares) | 31,407 | 31,349 | 31,349 |
| | Earnings per share (Note 1) | 13.25 | 10.72 | 4.29 |
| Dividends per share | Cash dividends | 6.5 | Note 2 | - |
| | Issuance of bonus shares | Stock Dividend from Retained Earnings | Note 2 | - |
| | | Stock Dividend from Capital Reserve | - | - |
| | Retained Dividends | | - | - |
| Analysis of Return on Investment | PE ratio (Note 3) | | 10.61 | 13.76 |
| | Dividend-Price ratio (Note 4) | | 21.62 | Note 2 |
| | Cash dividends yield (Note 5) | | 4.63 | Note 2 |

Note 1: Basic earnings per share

Note 2: To be determined by the shareholder meeting

Note 3: $P/E \text{ ratio} = \text{Average closing price per share in the current year} / \text{earnings per share (EPS) before retrospective adjustment}$

Note 4: $\text{Dividend-Price (P/D) ratio} = \text{Average closing price per share in the current year} / \text{Cash dividend per share}$.

Note 5: $\text{Cash dividend yield} = \text{Cash dividend per share} / \text{Average closing price per share in the current year}$.

Note 6: Net value per share and earnings per share as of the financial data reviewed by external auditors during the most recent quarter before the print date of this annual report. Other data based on the annual numbers as of the print date of this annual report.

- (VI) Dividend policy and implementations

1. Company policy stated in the Articles of Incorporation

According to the Company's Articles of Incorporation, we are in the growth stage. To meet the funding requirements, business expansion and robust financial planning for sustainable development, the Company's dividend policy shall be based on future capex projects and capital requirements. Dividends shall be issued in cash or stocks to shareholders.

Unless otherwise specified by the Cayman Island laws, regulations governing companies listed on the Taiwan Stock Exchange or the Taipei Exchange, or by the Articles of Incorporation, or otherwise defined regarding the rights attached to shares, if the Company reports earnings at the end of a fiscal year, the Board of Directors shall distribute earnings after the completion of the steps below:

- (1) tax payments to be allocated as required by laws;
- (2) Making up cumulative losses in prior years (if any);
- (3) Appropriation or reversal of special surpluses as stipulated by the laws

governing publicly issued companies or required by competent authorities.

Unless otherwise specified by laws or regulations governing publicly issued companies, the earnings during the year less than the amounts from (1) to (3) above and plus the unappropriated earnings in prior years are distributable earnings. The Board of Directors may propose an earnings distribution plan and forward it to the shareholder meeting for approval. Earnings may be distributed in cash or dividends (with additional paid-in capital converted with earnings to allocate to shareholders on a pro rata basis). If the Board of Directors would like to distribute earnings, stock dividends should be at least 40% of the earnings during the year less the amounts from (1) to (3). Cash dividends shall be at least 20% equivalent of the stock dividends.

2. Proposed distribution of earnings at the shareholder meeting:

The Board of Directors of the Company has resolved the proposal on March 21, 2022, which intends to distribute dividends at NT\$6.5 per share, consisting of NT\$4.5 in cash dividends per share (NT\$141,070,500 in total) and NT\$2 in stock dividends per share (NT\$62,698,000 in total). Upon the approval of the Annual Meeting of Shareholders, it is proposed that the Board of Directors shall be authorized to determine the ex-dividend date, ex-rights date and distribution date.

(VII) Impact of the proposed bonus shares this year to the Company's operating performance and earnings per share:

| Item | | Year | 2022 (Estimates) |
|--|--|---|-----------------------|
| Initial paid-up capital (Unit: NTD1,000) | | | 315,000 |
| Dividend of the year | Cash dividend (per share) (Note 4) (Unit: NTD) | | 4.5 |
| | New share issue through capitalization of earnings (Per share) | | 2.0 |
| | New share issue through capitalization of capital reserve (per share) (Note 4) | | 0.0 |
| Business performance | Net operating income (Unit: NTD1,000) | | Note 3 |
| | Net operation income (Year-on-year percentage) | | |
| | Net profit after taxes (Unit: NTD1,000) | | |
| | Net profit after taxes (Year-on-year percentage) | | |
| | EPS (Unit: NTD) | | |
| | EPS (Year-on-year percentage) | | |
| | Annual average Rate of Return (reciprocal of annual average P/E ratio) | | |
| Imaginary EPS and P/E ratio | Turning all capitalized earnings to distributing cash dividend | Imaginary EPS (Unit: NTD) | Note 3 |
| | | Imaginary annual average rate of return | |
| | If not capitalizing capital reserve | Imaginary EPS (Unit: NTD) | |
| | | Imaginary annual average rate of return | |
| | If not capitalizing capital reserve and turning all | Imaginary EPS (Unit: NTD) | |

| Year | | | 2022 (Estimates) |
|------|---|--|---------------------|
| Item | capitalized earnings to distributing cash dividend | Imaginary annual average rate of return | |

Note 1: Imaginary EPS (Turning all capitalized earnings to distributing cash dividend) = [Net profit after - tax - Imputed interest for cash dividends x (1 - Tax rate)] / [Total Issued Shares by End of Year - New share issue through capitalization of earnings (per share)] Imputed interest for cash dividends = Amount of capitalization with earnings x General interest rate for a one-year loan.

Note 2: Annual average P/E ratio: Annual Average Market Price Per Share / EPS in the Annual Financial Statement

Note 3: The financial projections were not disclosed in the year of 2022, so it is not necessary to disclose the estimated annual business performance, earnings per share and imaginary data for the year of 2022.

Note 4: If, due to changes in the number of ordinary shares of the Company, the proportion of shareholder's share allotment changes and needs to be amended, it may be adjusted by the chairman of the Company in accordance with the number of shares of the Company's outstanding common stock on the base date of the allotment of the allotment.

(VIII) Remunerations to employees, directors, and supervisors

1. Percentage or scope of remunerations to employees, directors, and supervisors as stated in the Articles of Incorporation:

If the Company reports profits for the year, 1% to 10% of the annual profits should be allocated as remunerations to employees and 5% or less to directors. In case of any losses carried forward, earnings should be prioritized for making up such losses. Remunerations to employees may be in cash or stocks, according to Employee Incentive Plan agreed on the basis of Article 11.1. The employees mentioned in this context may include the employees of the affiliated companies that meet certain criteria. The allocation of remunerations to employees requires the approval of a board meeting with at least two thirds of the directors present and at least half of the attending directors agreeing. The proposal shall be reported to the shareholder meeting. The directors who are also executives in other companies or affiliated companies may be entitled to remunerations both as directors and as employees.

2. Accounting treatment for any difference between the estimation of remunerations to employees, directors, and supervisors and the remunerations in stocks to employees and the actual distributed amount during the current period

The remunerations to employees, directors, and supervisors are estimated for the possible allocations pursuant to the Articles of Incorporation. If the estimated amount is different from the amount approved by the shareholder meeting, adjustments shall be recognized during the year the approval is made.

3. Remuneration allocations proposed by the Board of Directors

- (1) Remunerations to employees, directors, and supervisors in cash or stocks. Any difference between the recognized expenses and the estimated amount, the reason and accounting treatments:

The Company distributed in 2021 a total of NT\$3,395,283 to employees, all in cash, and nothing to directors. There was no difference between the estimated amount and the recognized amount for bonuses to employees and remunerations to directors in 2021 financial statement.

- (2) Remunerations to employees in stocks as a percentage of the earnings after-tax and total remunerations to employees during the period:

No distribution of remunerations to employees in stocks and hence not applicable

4. Allocation of remunerations (including the number of shares, the amount, and the share price) to employees, directors, and supervisors during the previous year (2020)

Any difference between the recognized expenses for remunerations to employees, directors, and supervisors, the reason and accounting treatments:

The Company distributed in 2020 a total of NT\$4,202,427 to employees, all in cash, and nothing to directors. There was no difference between the estimated amount and the recognized amount for bonuses to employees and remunerations to directors in 2020 financial statement.

(IX) Share repurchases:

1. Completed share repurchase program(s):

| | |
|---|-----------------------------------|
| No. of the repurchase program | First |
| Purpose | Transfer to employees |
| Buy back period | April 29, 2020 To May 25, 2020 |
| Repurchase price range | NT\$80 to NT\$210 |
| Type and quantity of shares bought back | 151,000 ordinary shares |
| Value of repurchased shares | NT\$20,801,671 |
| Repurchased shares as a percentage of the planned repurchase program | 50.33% |
| Number of shares cancelled and transferred | 0 |
| Cumulative number of shares held by the company | 151,000 ordinary shares |
| The ratio of the cumulative number of shares held by the company to the total number of issued shares | 0.48% |

2. Ongoing share repurchase program(s) : None

II. Issuance of corporate bonds : None

III. Issuance of preferred shares : None

IV. Issuance of overseas deposit receipt certificates (DRC) : None

V. Issuance of employee stock option certificates : None

VI. New shares to employees with restricted rights : None

VII. Merger/acquisition (M&A) or inward transfer of other firms' new shares : None

VIII. Implementation of capital utilization plans : None

Five. Business Performance in Brief

I. Business Lines

1. Scope

(1) Main businesses

- A. Weaving, dyeing & printing, processing, manufacturing, and distribution of fabrics for ready-made garments.
- B. Trading, processing and import/export of the abovementioned products and relevant yarn materials.

(2) Revenue breakdown

Unit: NT\$ thousand; %

| Product | 2021 | |
|------------------------------|-----------|---------------------------|
| | Sales | Percentage of total sales |
| Cotton blend knitted fabrics | 7,418,374 | 100.00 |
| Others | - | - |
| Total | 7,418,374 | 100.00 |

(3) Current products (services)

The Company is primarily a manufacturer of cotton blend knitted fabrics for the following applications:

- ① French terry: mainly used in athleisure coats and long-sleeve T-shirts. A classical fabric for sportswear. Fine and gentle outside and with loops or soft piles of yarn on the inside. Even softer and fluffier feel if the fabric is broom-finished inside. Great in keeping warm.
- ② Jersey: a versatile fabric for underwear and athleisure and a staple among woven fabrics. A soft feel, breathable and allowing moisture to flow through.
- ③ Air layers: An innovative fabric in athleisure by balancing between aesthetics and functionality. Suitable for fashion, sports, and leisure. An air cushion in the middle of the three layers in structure, to trap air and keep warm. Fine and smooth in surface, light in weight but with a solid and comfy feel. Good single-directional thermal conductivity, moisture absorption, air permeability and water-proof due to the three-layer structure.

(4) New products (services) under development

- A. Refining of hand-feel of plain weave and fabric technology
- B. Vegetable dyes dyed cotton color fastness project
- C. High-efficiency short-process moisture absorption and quick-drying fabric project
- D. Fabric digitalization

2. Industry Snapshot

(1) Current status and developments

- A. Global market of fabrics and ready-made garments

In respect of global textile and garment trade from 2005 to 2020, the average annual growth rate of textiles was 3.1%, and that of garment was 4.8%. After the liberalization of the textile trade in 2005, apart from the relocation of production locations to emerging low-cost countries such as China, India, Pakistan, Bangladesh,

and Vietnam, the textile and garment trade has grown more rapidly than in the previous quota-restricted era.

According to the 2020 data released by the WTO, the global textile trade volume was US\$354 billion and the garment trade volume was US\$448 billion, totaling US\$802 billion, an increase of 0.7% from US\$796.7 billion in 2019.

In 2020, the global textile trade was 354 billion US dollars, an increase of 16.1% over 2019. Mainland China was still the world's largest textile exporter, with an export value of 154.1 billion US dollars, accounting for 43.5% of the global textile trade; followed by the European Union, India, Turkey, and the United States. The export value of the top five suppliers compared with 2019, only mainland China grew. Vietnam surpassed South Korea for the first time, ranking sixth (export value increased by 11%), South Korea ranked seventh, and Taiwan ranked ninth, with an export value of 7.1 billion US dollars, ranking the place of world's important supplier of functional and environmentally friendly textiles.

In 2020, the global garment trade was be US\$448 billion, a decline of 8.9% compared with 2019; the world's largest garment exporter is still mainland China, with an export value of US\$141.6 billion, accounting for 31.6% of the global garment trade; the second to fifth places were European Union, Vietnam, Bangladesh, Turkey; and among the 10 ASEAN countries, in addition to Vietnam, five countries of Malaysia, Indonesia, Cambodia, Myanmar, Thailand also entered the top 15.

B. Global sports and fitness apparel market

With the global vaccination in 2021, "Severe Special Contagious Pneumonia (COVID-19)" has been gradually brought under control. Although the Omicron virus is still raging, the pandemic prevention measures in various countries have been loosened compared with the past, enabling the economy to continue to recover and the boom of garment consumer market to recover. The global overall sportswear market size in 2021 was US\$216.8 billion: Benefited from the recovery of consumption momentum after the COVID-19 pandemic, it increased by 22.6% over the previous year. However, it is expected that consumption will return to rationality in 2022, with an estimated growth rate of about 10%. In 2021, the functional sportswear market will grow by 24%, and the outdoor garment market will grow by 19%. The overall sportswear average compound annual growth rate from 2021 to 2026 will be CAGR 7.5%

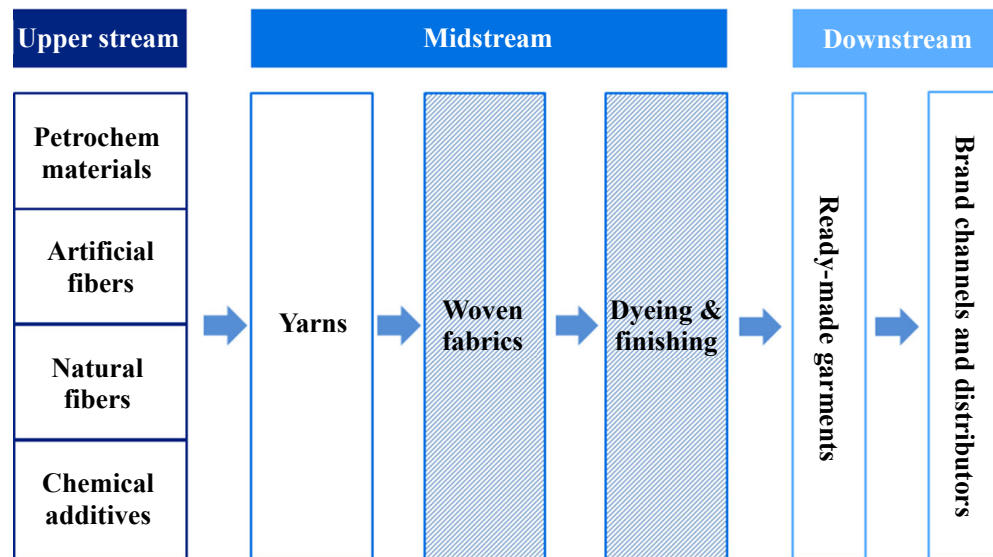
According to an industry report entitled "Sports and Fitness Garment - Global Market Track and Analysis" released by Global Industry Analysts Inc. (hereinafter referred to as GIA), as combined with the new opportunities and challenges faced by the global market in the post-COVID-19 era, the report estimates that by 2026, the global sports and fitness apparel market will reach \$221.3 billion.

Affected by the spread of the COVID-19 pandemic around the world, the overall volume of the global sports and fitness garment market in 2020 was 172 billion US dollars. According to the analysis of the market size of 221.3 billion US dollars by 2026, the

compound annual growth rate during the period will reach 4.4. %. Taking into account the huge impact and impact of the COVID-19 pandemic on the fitness industry, the compound annual growth rate of fitness garment in the next seven years is about 3.6%.

(2) Upper, mid to downstream of the supply chain

Ready-made garment is produced with materials produced with wool, cotton, or petrochemicals in the upper stream. These materials are woven into yarns and made into cloths, which are dyed, finished, or processed before cutting, sewing, weaving, or knitting into ready-made garments and other textile products. Finally, the garments and products are sold to consumers via brand channels and distributors. Below is an illustration of value chain activities from upper, mid to downstream.



(3) Product trends

Athleisure is in and functional sports products are popular. This is the driver of steady growth in the athletic apparel industry. As a result, sports brands are increasingly demanding for the quality of cloths. In addition, they also require the manufacturing process to be environmental-friendly and the products to provide high performances. In the past, OEM clients (i.e., sports brands) offered technology and textile suppliers manufactured products. Nowadays suppliers are required to have the capability to develop fabrics to stand out in the competition. The design of new products for sports brands should stay on top of changing preferences of consumers and balance between fashion and function.

Dyeing and finishing are an important process of fabric manufacturing. Cloth is placed into a dye vat to acquire the desired color. In the past, dyeing a kilogram of cloth consumed at least 200 liters of water. However, the improvement of the manufacturing process has gradually reduced this ratio. Meanwhile, OEM clients began to pay attention to energy efficiency of manufacturing processes and incorporated this in their assessment of textile suppliers. Therefore, the improvement of manufacturing technology is an important issue for textile suppliers.

Environment sustainability is becoming the first consideration of consumers, and enterprises respond to this by introducing more sustainable products. COVID pandemic also accelerate this trend, and the present obligations of enterprises are maintaining the sustainable supply chain and input such concept as cyclic economy.

(4) Competitive landscape for products

The Company is primarily engaged in the manufacturing and distribution of knitted staple fabrics, made with filament yarns, spun yarns, and elastic fibers. Spun yarns account for 50% of our materials. Garments are a necessity in life and there are thousands of fabrics combined with different yarns, dyed, and post-treatments with various techniques. Given the maturity of weaving and dyeing technology, it is increasingly difficult to systematically develop new fibers, techniques, specifications, or designs. What can be achieved now is to enhance and optimize existing processes and material applications and provide differentiated and high value-adding combination of new functions and products, to win orders from OEM clients and boost competitive edges. The Company and its subsidiaries continue to improve a variety of new fabrics. For example, we have developed DryNit® with a special weaving technique different from the traditional approach of making cotton tapes. The new Spacer fabric is produced with innovative processes to address the problem of pilling and provide better feel and fluffiness. The new French ferry fabric is soft, light, and warm, environmental-friendly and no fiber shredding. In the meantime, the Company and its subsidiaries continue to improve manufacturing processes. We introduce high-tech equipment in energy efficiency and environmental protection such as low liquor ratios in dyeing, improvement in spray dyeing, adjustments to additives administering, adoption of new and environmental-friendly materials, and waterless dyeing. It is hoped that the Company and its subsidiaries can offer products catering to market needs and responding to market changes.

We are proud of our supply chain management, as we are familiar with sourcing of raw materials and able to identify the most suitable and price competitive suppliers according to quality requirements from our customers. We have access to a large variety of knitted fabrics from a long list of suppliers, and all our contractors have passed the quality certifications from international OEMs. Our quality assurance personnel are well-versed in acceptance standards by ready-made garment customers and we are responsible for shipment scheduling and quality inspection before delivery. As our final products are used in ready-made garments for international sports and leisure brands (OEM brands), we sell to the ready-made garment suppliers of these brands. We either speak directly with OEM brands for specifications or recommend to them our new fabrics. Once the desired colors and styles are identified, OEM brands place order to their ready-made garment manufacturers. As consumers exercise more over the recent years, they demand sportswear that is fashionable and serving different purposes such as anti-bacteria, ultraviolet resistance, moisture absorption/wicking, heat generation, cooling, and waterproof. International sports brands set a high standard for fabrics quality and innovative functionality. Suppliers need to go through a robust process of qualification. It is not possible for new suppliers to become qualified suppliers in a short period of time.

3. R&D and Technology

(1) R&D expenses during the most recent year and as of the print date of this annual report

Unit: NT\$ thousand; %

| Item | 2021 | 2022Q1 |
|------------------------------|-----------|-----------|
| R&D expenses | 11,074 | 3,179 |
| Net sales | 7,418,374 | 2,074,450 |
| As a percentage of net sales | 0.15% | 0.15% |

(2) Successfully developed technologies/products

| Year | R&D results | Details |
|------|---|--|
| 2021 | The project of "Production Technology and Industrialization Application of High-efficiency Short-Process Wet-regulated Knitted Fabrics" won the third prize of Hubei Province Science and Technology Progress Award | According to the hydrophilic and hydrophobic properties of the fibers, by spraying the solution containing the water-repellent auxiliary agent online during the weaving process or before the pre-treatment of the grey fabric, the hygroscopic material can absorb the water-repellent auxiliary agent, while the hydrophobic material does not adhere to the water-repellent auxiliary agent. The process of on-line water-repellent modification of some materials has been developed, thereby simplifying the hydrophobic modification process. |
| | Carry out the project of "Atomization Dyeing and Finishing Technology" | On the basis of the research on the original dyeing technology and dyeing process of the "Spray Dyeing Technology Project", the spray dyeing method is improved to the atomization dyeing method. The modified technology can also be used in the fabric post-finishing process, which has the advantages of energy saving and water saving, high efficiency and environmental protection. |
| | Carry out the research project of "Anti-shedding finishing of sweater fabrics" | By studying the methods of plasma anti-shedding finishing, microwave anti-shedding finishing, and acrylic resin finishing, the research on the anti-shedding effect of anti-shedding of sweater fabrics was carried out, and the best finishing method and process were determined to obtain fleece that is not easy to shed and felt comfortable. |
| | Carry out the research on the basic project of "Texture and style (fullness) of plain weave" | By using computer simulation technology to simulate the real effect of plain weave stitches and fabric structures, and transform the existing latch needle structure, design a new latch needle, and in line with the design of the triangle system for weaving to improve the texture and fullness of ordinary plain weave. |
| | The invention patent of "A Dyeing method for improving the fixation rate of reactive Dyes" has been accepted | The dyeing method of dyeing the cotton fabric after atomizing the reactive dye solution to obtain the dyed cotton fabric with a liquid carrying rate of 75-85%, and sequentially carrying out wet stewing, drying and soaping on the dyed cotton fabric. The method can greatly reduce the water consumption and energy consumption, shorten the fixing time, improve the fixing rate and the dye utilization rate. |
| | The invention patent of "A Method for reducing the shedding rate of raised fabrics and atomizing air extraction device" has been accepted | In the atomization and air extraction device with the second air extraction device, the first atomization device, the second atomization device and the first air extraction device, the atomized droplets of the hydrophobic solvent are respectively caused to follow the base fabric layer-fleece layer of the raised fabric directional penetration and the atomized droplets of the adhesive solution penetrate in the direction of the fleece layer-base fabric layer of the fleece fabric, and then the fleece fabric is dried to enhance the bonding force between the bare fleece and the fabric base fabric and non-bare fleece, thereby reducing the fluff shedding rate. |

| Year | R&D results | Details |
|------|---|--|
| 2021 | The invention patent of "A short stroke integrated compound latch needle" has been accepted | It is composed of the needle body of the compound needle, the needle core movably placed in the needle body groove, and the needle latch. The needle latch is arranged at the front end of the needle core, and the needle latch and the needle core are hinged through a latch pin. The needle core and the needle latch form a whole, the needle core moves linearly in the needle groove of the compound needle, and the needle latch, which is movably placed in the front section of the needle core, in line with the needle body to open and close the needle port during the process of looping and unwinding, and the needle core is in the needle. The limited movement in the body reduces the stroke of the needle body, which can increase the running speed of the circular knitting machine and reduce the stroke of the knitting needle, so that the needle cylinder of the same cylinder diameter can be arranged with more looping systems. The output of the knitting machine is increased. |

4. Long-term and short-term development plans

(1) Short-term plans

A. Multi-production strategy

Continue to invest in the increase and update of factory equipment in Cambodia to increase production capacity; actively promote the progress of the construction of Vietnam's weaving and dyeing integrated factory, and supply the layout to multi-producing areas.

B. Continuing with enhancement of management transparency, overall operational efficiency, and employee productivity. Control of operating expenses. Further vertical integration in terms of order taking. Seeking strategic alliances in upper stream and downstream to expand operations, reduce costs and boost profits.

(2) Long-term plans

A. Production planning & strategy

Establishment of highly efficient, high quality and fast delivery with enhanced manufacturing capability and competitive edges, in response to order types and customer requirements.

B. Innovation of core technologies

Innovative technologies in weaving, dyeing, and finishing to develop high value-added products. Vertical integration to ensure fast responses across the value chain.

C. Ongoing improvement of the Company's financial structure to meet the requirement for continued R&D in new products/services in the international market

II. Markets, Sales & Distributions

1. Market analysis

(1) Key markets for products/services

Unit: NT\$ thousand; %

| Region \ Year | | 2020 | | 2021 | |
|----------------|----------------|-----------|------------|-----------|------------|
| | | Amount | Percentage | Amount | Percentage |
| Domestic sales | | 1,316,411 | 24.43 | 1,871,326 | 25.23 |
| Exports | Southeast Asia | 3,577,306 | 66.38 | 4,732,967 | 63.80 |
| | South Asia | 400,209 | 7.43 | 608,741 | 8.21 |
| | Others | 95,268 | 1.76 | 205,340 | 2.76 |
| Total | | 5,389,194 | 100.00 | 7,418,374 | 100.00 |

Note 1: Domestic sales refer to sales in China

Note 2: Based on shipments

(2) Market shares

We have a complete range of production equipment, from greige manufacturing, dyeing & finishing, after-treatment processing, to physical property inspections and quality assurance. The vertical integration creates synergies and varieties in product mixes, processing methods and qualities. Our strategy is to pursue small quantities but large varieties and product options. This is the reason why the Company's high-quality fabrics are well-recognized by our international OEM clients in Europe and the U.S. Our sales and market shares enjoy stable increase year over year. We continue to innovate, develop, produce, and distribute spun yarns to grow in the market at a steady pace. Our cooperation with OEM clients is solid and long-term in nature. Customer requirements are incorporated in the development stage for product designs, patterns, material combinations and functionality mixes. We endeavor to maintain our advantage in the textile industry by catering to the requirement of international brands and the need from consumers for tasteful, fashionable, and trendy designs.

(3) Demand/supply and growth prospect

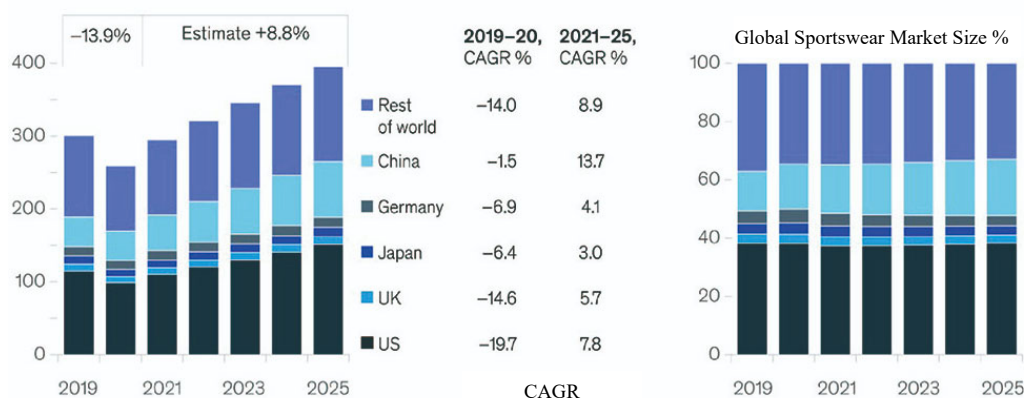
The term "athleisure" is coined by combining the words "athletics" and "leisure". This initially refers to the phenomenon of women wearing yoga outfits in the gym. Men later followed suit. It eventually evolved into a style combining sports and fashion. Athleisure has since become a new casual style.

In the post-pandemic era, with many people still working remotely from home, the athleisure trend has been further developed and reflects a new attitude towards traditional workwear. Increased health awareness has given many people a new appreciation for exercise and general fitness. It has also prompted people to become more discerning in their choice of clothing when it comes to fitness, personal life and leisure work.

According to McKinsey statistics, the global sports industry grew by about 14% in 2021, and has recovered to the level of 98% in 2019. Among them, China grew by 23% and United States grew by 15%. The growth rate was more than twice the average growth rate from 2015 to 2019.

In the coming 2022, although new variants of viruses such as Omicron are still raging, causing some uncertainty, McKinsey expects the sports industry to continue to recover with growth rate from 295 billion Euros in 2021 to 395 billion Euros in 2025. And with more and more people committed to a healthier and more active life, the sports industry has the opportunity to explore new growth areas.

Unit: US\$ billion; %



Source: Euromonitor

(4) Competitive edge

A. Outstanding order-taking capability and production management

The Company and its subsidiaries have long-term suppliers in China, and we have people on the ground with these suppliers, to monitor quality and arrange shipments. We have the only sizable weaving and dyeing factory in Bavet, Cambodia. The main customers of the Company and its subsidiaries are ready-made garment manufacturers who supply to international sports and leisure brands (i.e. OEMs). We either approach these OEMs and produce samples according to their requirements or recommend to these OEMs our newly developed fabrics. Once the colors and designs are up to the requirements of OEMs, they place orders to their ready-made garment suppliers, and assign the Company and its subsidiaries as the fabric supplier. Then these ready-made garment manufacturers procure fabrics from the Company and its subsidiaries. There are a large variety of orders and a big volume of samples is required. Orders are frequent and lead times are short. In sum, the Company has extensive experience working for international sports and leisure brands. We also have own factories and long-term suppliers, so that we can adjust production and processing lines to meet with the quality and delivery requirement of international sports and leisure brands.

B. Quality Management System and OEM Certifications

The spun knitted fabrics produced and marketed by the Company and its subsidiaries are under strict quality control. We have been approved by OEMs such as Adidas, Puma, Gap, and Li Ning to ship products by self-inspecting the colors, without any sign-up required from a third party. Our testing center has been certified as an independent supplier by Adidas, Puma, Gap, and Decathlon. In other words, the Company and its subsidiaries are authorized to issue fabric test reports, without certification from third parties. The Company and its subsidiaries have also passed the Quality Control approval from Adidas. All these certifications demonstrate the trust of OEM customers in our quality.

C. Presence in Southeast Asia to stay close to downstream supply chain

The Company and its subsidiaries in 2011 established a vertical production line with weaving, dyeing, and finishing capability in Bavet, Cambodia. Bavet is approximately 160 kilometers from the capital Phnom Penh of Cambodia (about three hours by car), and about 80 kilometers from Ho Chi Minh City in Vietnam (about two hours by car). Both Phnom Penh and Ho Chi Minh are hubs for ready-made garment manufacturers. Our outputs in Bavet can ship to the ready-made

garments in Cambodia and Vietnam. As international OEMs are instructing their local suppliers to purchase locally (“local to local”), our production lines have become the only fabric supplier in Cambodia for many international OEMs. There are many hurdles for other fabric and dye manufacturers to overcome to set up facilities in Cambodia in the immediate future. The economic and political environment in Cambodia is not fully developed, and the infrastructure is also inadequate. For example, manufacturers need to source water and energy and comply with the environmental protection requirements. Hence, TST Group is an indispensable partner for international brands in the foreseeable future.

(5) Positive/negative factors for business prospects and responding measures

A. Positive factors

(A) Demand stable and growing

The products from the Company and its subsidiaries are used in the ready-made garments of international sports and leisure brands. As the sportswear market continues to boom and the sports and outdoor leisure activities remain vibrant around the world, there will always be a slew of new designs that combines fashion and function. This means fabric and ready-made garment producers will continue to grow at a steady pace.

(B) Global famous brands as key customers

The Company and its subsidiaries have successfully won the favor of business from international brands by offering a diversity of quality products. In the process of cooperation, the Company and its subsidiaries have attracted many supplier awards from these customers because of the speed of product launches and capability to develop products according to requirements, such as 2021 Sustainability award, Agility award, PUMA’s Best R&D for Fabric Supplier, PUMA’s Best Global Supplier Award and Li Ning’s Best R&D Award. The products have been deeply affirmed by international brand manufacturers, so the main customers include adidas, PUMA, GAP and NIKE, etc., which have been all over the world’s well-known brands.

(C) High thresholds for certifications

The Company and its subsidiaries have been working with international sports and leisure brands for many years. As a qualified supplier, we have obtained the authorization to self-inspect colors of products, without the need to go through validation from external organizations. Our quality test center has also been certified by the third parties recognized by OEM customers, and the results from our test center are deemed to be equivalent to the validation from third parties. In sum, the Company and its subsidiaries have gained significant trust from sports and leisure brands and we are a regular recipient of supplier awards from these brands. As it is difficult for competitors to achieve our quality standards, our orders are ensured in the foreseeable future.

B. Negative factors

(A) Profitability under the influence of raw material prices

The raw materials of spun knitted fabrics are cotton yarns and chemical fiber yarns. Going forward, the price volatility of cotton and crude oil may push up raw materials prices. Whilst it is possible to transfer costs to OEM customers via negotiations and boost profits for the time being, any dramatic increase of international cotton and oil prices will eventually erode our profitability if costs cannot be completely absorbed by OEM customers.

Responding measures

The Company and its subsidiaries keep a close eye on the change of the raw materials market. We maintain good relations with raw materials suppliers and we diversify the sourcing of raw materials by procuring from multiple suppliers. That said, the long development cycles for sports brands mean relatively adequate time to respond to fluctuations of raw materials prices. When proposing new fabrics to OEM customers for the new season, the Company and its subsidiaries may adjust the manufacturing process and technology to reduce costs. We can also raise unit prices in line with the market to enhance profitability in a timely manner.

(B) Limited operational scale, with many manufacturing processes outsourced

The Company did not have its own production lines in the early days due to limited scale. We started as a trading business of textiles. We developed products but outsourced the manufacturing to external parties. The Company gradually established its own capacity in dyeing and finishing. As of 2021, the percentages of own production and outsourced production are half to half.

Responding measures

The Company has enjoyed stabilization in profitability and growth in scale over recent years. In 2011, we built out own weaving, dyeing, and finishing facilities in Cambodia. It has continued to invest in production equipment to expand its production capacity and operating scale. Currently, it is preparing to set up the factory in Vietnam, which is expected to be completed in 2023, or invest in ready-made garment manufacturing to become fully integrated and hence boost competitiveness. Meanwhile, as the Company is limited by the capacities and deliveries of our contracted manufacturers, we conduct daily quality inspections on these manufacturers and add to our list of contractors, to mitigate the quality and delivery risks of outsourcing.

(C) EU-Vietnam Free Trade Agreement (EVFTA)

Vietnam and the European Union in Hanoi on June 30, 2019 drafted the EU-Vietnam Free Trade Agreement (EVFTA) and the EU-Vietnam Investment Protection Agreement (EVIPA). Both agreements are to be reviewed by the European Parliament and the parliaments of its member states. The EVFTA would take effect at the end of 2019 the earliest; whilst it would be at least two years away for the review of the EVIPA to be completed. According to the EVFTA, Vietnam and the 28 economies in the European Union will gradually dismantle tariff barriers. As soon as the agreement comes into force, benefits, the European Union (EU) will immediately eliminate 85.6% import duties on certain products from Vietnam, and this covers 70.3% of Vietnam's exports to the EU. To reciprocate, Vietnam will immediately scrap 48.5% duties on some imports from Europe, and this covers 64.5% of Europe's exports to Vietnam. Both parties will gradually phase out 99% of customs tariffs within ten years. As Vietnam is keen to become an important economic partner to the EU and integrate into the international economy and cooperation, the signing of the EVFTA is a milestone to its economy and corporate structure. It is beneficial to Vietnam's exports of textile products to the EU.

Responding measures

The production facilities owned by the Company and its subsidiaries are in China and Cambodia, and thus cannot access the preferential treatments under

the EVFTA framework. TST Group decided at the end of 2020 to establish a weaving and dyeing factory in Vietnam to integrate the supply chain resources in weaving, dyeing, and finishing in Vietnam. It is expected that textile exports from Vietnam will continue to grow, once the EVFTA is implemented. This should boost the demand for fabrics used in ready-made garments and benefit the group.

(D) Stringent environmental standards

In recent years, the global awareness of the importance of environmental sustainability, all governments around the world (including China and Cambodia) and international organizations have been increasing the threshold for the statutory requirements in environmental protection.

The Company attaches great importance to the impact of its industry on the environment, to keep up with this trend and comply with relevant laws and regulations, it is necessary to continue investing in the purchase of anti-pollution equipment and the training of personnel. The effective strategy to reduce environmental pollutions should focus on the control of pollution sources, so that employees can work in a safe environment.

Our subsidiary in Cambodia is engaged in weaving, dyeing, and finishing and thus wastewater and other emissions are inevitable. The subsidiary has its own wastewater treatment facilities and has acquired four permits, pollution discharges, wastewater emission, waste gases from boilers, and sludge emissions. The Ministry of Environment in Cambodia samples wastewater regularly annual testing. Whilst our Cambodian subsidiary treats wastewater according to legal requirements, there are occasions of breaching the threshold due to equipment failure and production facilities issues, or value deviations caused by different inspection methods. However, we make immediate amends as soon as any problem has been identified.

Responding measures

The Company procures and renews pollution control equipment, advocates waste reductions and develops new manufacturing processes to comply with environmental regulations. We assign personnel to patrol the pollution control equipment on site each day and there are units responsible for the operation and maintenance of the equipment. The wastes are processed off-plant by the companies recognized by the Ministry of Environment. The Company and its subsidiaries use Bluesign's raw materials from the input end, and strictly manage chemicals in the production process. The output end ensures that the products meet the management requirements of toxic and hazardous substances. Whilst we seek to enhance our competitiveness, we also strive to mitigate our environmental impact in raw materials and products. We hope to produce with accuracy and timeliness and establish all-rounded competitiveness of manufacturing products in compliance with environmental regulations and catering to customers' requirements so that we can achieve sustainable developments.

(E) Concentration of OEM customers

Our end customers are global sports brands, which has added the sales of the international sports brand NIKE in 2021. As we sell a great variety of products to one customer in large quantities, we do not see much difference between high seasons and low seasons. This customer has been expanding its global market shares over recent years. As a result, our revenues from this OEM

customer have been growing in value and percentage.

Responding measures

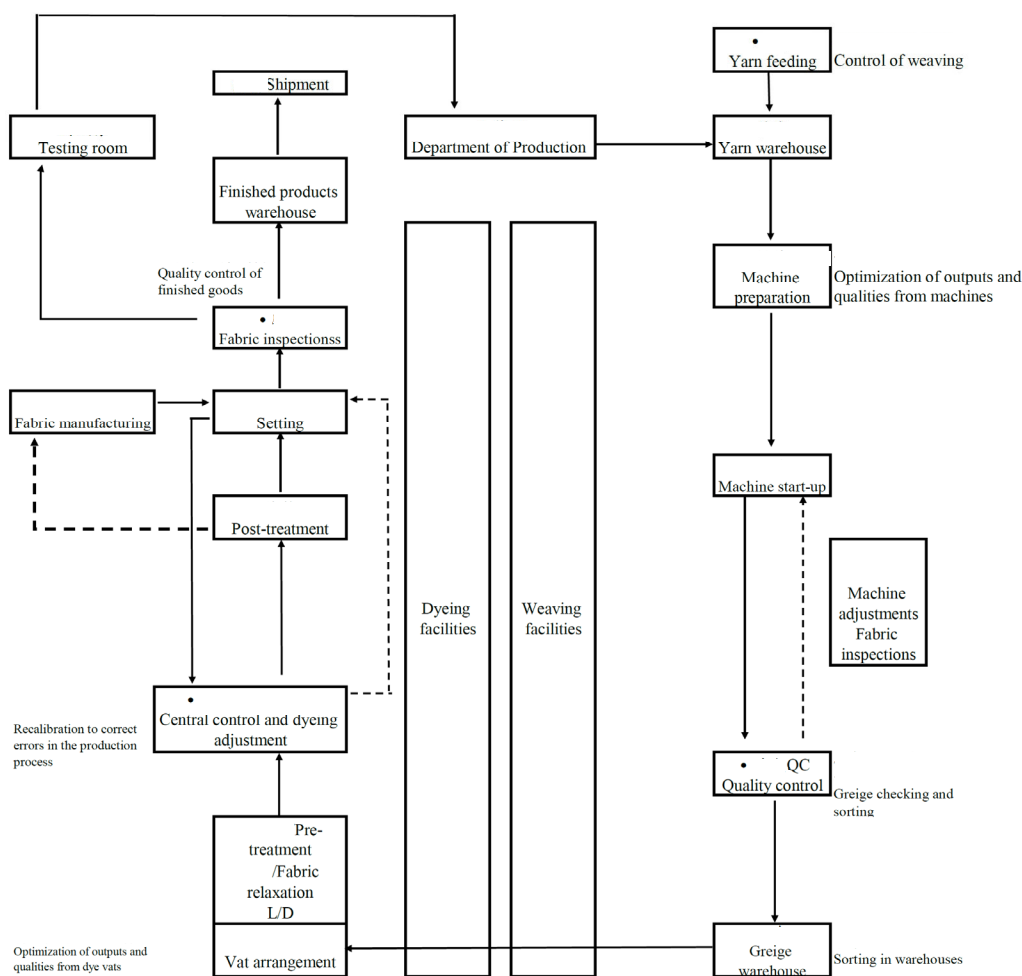
The Company is actively expanding clientele, and we have achieved results after years of efforts in communicating with customers and attracting new orders. Going forward, we will continue to deepen relations with existing customers, develop new products and new customers to boost revenues and mitigate the risks associated with a single customer.

2. Key applications and manufacturing processes of staple products

(1) Key applications of stable products

| Product | Applications |
|-------------------|--|
| Terry fabrics | Main fabrics for athleisure coats and long-sleeve T-shirts |
| Jersey fabrics | A versatile choice for underwear and athleisure garments |
| Air-layer fabrics | Innovative fabrics for athleisure garments, ideal for the combination of fashion and function, suitable for trendy, sports and leisure outfits |

(2) Manufacturing processes of staple products



3. Supply of major materials

The Company's raw materials are primarily yarns and greiges.

| Raw materials | Key suppliers | Supply status |
|-------------------|--|---------------|
| Yarns and greiges | Tainan Spinning; Far Eastern Textile; Huaifu Group; BROS Eastern Group; Hung Yueh Group; Texhong Textile Group; Yicheng Tianshu Textile; Thien Nam Spinning; Lan Fa Textile; Mei Sheng Textile (Vietnam) | Good |

4. List of major customers for purchase and sales:

- (1) The names of the suppliers who have accounted for more than 10% of the total purchase amount in the previous year, and the amount and proportion of the purchase amount, and explanation of the reasons in change of increase or decrease:

Unit: NT\$ thousand

| Items | Year 2020 | | | | Year 2021 | | | |
|-------|------------------|-----------|--|------------------------------|------------------|-----------|--|------------------------------|
| | Title | Amount | Ratio to the net annual input amount (%) | Relationship with the issuer | Title | Amount | Ratio to the net annual input amount (%) | Relationship with the issuer |
| 1 | Texhong Textile | 743,556 | 19.64 | Nil | Texhong Textile | 1,524,309 | 23.27 | Nil |
| 2 | A Company | 734,541 | 19.40 | Nil | HUAFU | 987,682 | 15.08 | Nil |
| 3 | HUAFU | 446,812 | 11.80 | Nil | A Company | 854,544 | 13.05 | Nil |
| | Others | 1,861,962 | 49.16 | - | Others | 3,183,198 | 48.60 | - |
| | Net input amount | 3,786,871 | 100.00 | - | Net input amount | 6,549,733 | 100.00 | - |

Explanations for any change: Our main customers enjoy stable businesses. We have at least two long-term suppliers for key materials. There has been no significant change to our list of major suppliers during the past two years.

- (2) The names of the customers who have accounted for more than 10% of the total sales in any year in the most recent two years: or the amount and proportion of the sales, and the reasons for the increase or decrease:

Unit: NT\$ thousand

| Items | Year 2020 | | | | Year 2021 | | | |
|-------|------------------|-----------|--|------------------------------|------------------|-----------|--|------------------------------|
| | Title | Amount | Ratio to the net annual sales amount (%) | Relationship with the issuer | Title | Amount | Ratio to the net annual sales amount (%) | Relationship with the issuer |
| 1 | Crystal Group | 634,439 | 11.77 | Nil | Crystal Group | 1,468,180 | 19.79 | Nil |
| 2 | DIN TSUN | 559,099 | 10.37 | Nil | MOHA | 789,482 | 10.64 | Nil |
| | Others | 4,195,656 | 77.86 | Nil | Others | 5,160,712 | 69.57 | Nil |
| | Net input amount | 5,389,194 | 100.00 | | Net input amount | 7,418,374 | 100.00 | |

Explanations for any change: The company cooperates with the sales of garment factories designated by brand customers.

6. The output volume and value in the most recent two years:

Unit: NT\$ thousand

| Sales volume /value | Year | Year 2020 | | | Year 2021 | | |
|------------------------------|------|----------------------|-------------------------|-----------|----------------------|-------------------------|-----------|
| | | Capacity | Volume | Value | Capacity | Volume | Value |
| Major commodities | | | | | | | |
| Cotton blend knitted fabrics | | 35 million pounds | 27.96 million pounds | 1,982,863 | 44 million pounds | 34.82 million pounds | 2,633,219 |
| Others | | — | — | — | — | — | — |
| Total | | 35 million pounds | 27.96 million pounds | 1,982,863 | 44 million pounds | 34.82 million pounds | 2,633,219 |

Explanations for any change: In 2021, the global acceleration to get rid of the impact of the previous year's epidemic came from the increase in demand from end consumers, which led to the growth and stabilization of orders, which make the production and the output value to increase higher than before.

7. The sales volume and value in the most recent two years:

Unit: NT\$ thousand

| Sales volume/ value | Year | Year 2019 | | | | Year 2020 | | | |
|--|------|-------------------------|-----------|-------------------------|-----------|-------------------------|-----------|-------------------------|-----------|
| | | Domestic sales | | Export | | Domestic sales | | Export | |
| | | Volume | Value | Volume | Value | Volume | Value | Volume | Value |
| Major commodities | | | | | | | | | |
| Cotton blended knitted fabrics (internally manufactured) | | — | — | 24.64 million pounds | 2,342,540 | — | — | 35.30 million pounds | 3,343,794 |
| Cotton blended knitted fabrics (externally manufactured) | | 12.86 million pounds | 1,306,520 | 15.35 million pounds | 1,730,243 | 18.53 million pounds | 1,871,326 | 21.32 million pounds | 2,198,753 |
| Others | | — | 9,891 | — | — | — | — | — | 4,501 |
| Total | | 12.86 million pounds | 1,316,411 | 39.99 million pounds | 4,072,783 | 18.53 million pounds | 1,871,326 | 56.62 million pounds | 5,547,048 |

Note: Domestic sales refer to sales in China.

Explanations for any change: In 2021, the global acceleration to get rid of the impact of the previous year's epidemic came from the increase in demand from end consumers, which led to the growth and stabilization of orders, which make the sales to increase higher than before.

III. Number of employees, average number of years of service, average age and academic degree credential distribution ratio during the most recent year and as of the print date of this annual report

Unit: Person

| Year | | 2020 | 2021 | As of March 31, 2022 |
|---------------------------|---|--------|--------|-------------------------|
| Number of employees | Managers and above | 50 | 55 | 57 |
| | Employees | 362 | 396 | 406 |
| | Operators | 722 | 735 | 757 |
| | Total | 1,134 | 1,186 | 1,220 |
| Average ages | | 31.7 | 33.0 | 33.2 |
| Average service seniority | | 4.7 | 4.4 | 4.7 |
| Academic degree levels | Master (included above) | 0.35% | 0.42% | 0.41% |
| | University/college | 23.72% | 24.96% | 25.24% |
| | Below senior high school (inclusive) | 75.93% | 74.62% | 74.35% |

IV. Information of expenditures for environmental protection

1. According to relevant laws and regulations, the procedures of applications for the permits regarding deployment of pollution control facilities, pollution emissions, or payments for pollution control fees or establishment of dedicated personnel in environmental protection are described below:

Our subsidiary in Cambodia, Top Sports Textile Ltd. (TSP), has its own wastewater treatment facilities, and has acquired four permits: pollution discharges, wastewater emission, waste gases from boilers, and sludge emissions. The Ministry of Environment, Cambodia, visits TSP once or twice per annum to sample wastewater for testing. The Cambodian government sets two standards for wastewater emissions: (1) Standard II COD <100 for discharge to regular waters; (2) Standard I COD <50 for discharge to protected waters (vs. the standard COD 140 in Taiwan and COD 80 in China). TSP continues to enhance its wastewater treatment facilities. The current capacity is 7,000 cubic meters per day and operating at the standards for discharge to regular waters. Meanwhile, we also introduce sludge drying equipment to reduce the water contents (thus weight and capacity) of sludge.

The environmental regulations in Cambodia do not specify that there should be factory personnel dedicated to environmental protection. However, TSP has established a taskforce focusing on pollution prevention and controlling all the pollution sources onsite. They also serve as the contact window with environment service providers and oversee matters in relation to wastes processing.

2. Investments in pollution control equipment, purposes of such equipment and potential benefits

List of Pollution Control Equipment

As of March 31, 2022; Unit: USD

| Equipment name | Quantity | Acquisition date (yy/mm/dd) | Investment cost | Valuation (net of depreciation) | Purposes and benefits |
|--|----------|-----------------------------|-----------------|---------------------------------|--|
| Sedimentation pool for water treatment | 1 | 2022.03.31 | 125,003 | 125,003 | Enhancement for the efficiency of wastewater treatment |
| Buffer pool change to Domestication pool | 1 | 2021.08.31 | 140,289 | 125,644 | Enhancement for the efficiency of wastewater treatment |
| Buffer pool change to anaerobic pool | 1 | 2020.07.30 | 117,545 | 82,282 | Enhancement for the efficiency of wastewater treatment |
| Waste water online monitor system in water treatment | 1 | 2020.07.28 | 42,909 | 30,036 | Monitoring of sewage emission |
| Upgrade of wastewater treatment system | 1 | 2018.10.01 | 1,250,000 | 759,446.29 | Reaching the European standard of \leq COD 50 Current daily capacity of 7,000M ³ |
| Reengineering of wastewater treatment system | 1 | 2016.01.01 | 300,000 | 21,289.77 | Daily capacity of 5,000M ³ |
| Wastewater treatment system | 1 | 2012.06.01 | 1,100,000 | 368,254 | Daily capacity of 3,000M ³ |

3. During the most recent year and as of the print date of this annual report, please provide the details of environmental pollution treatments in response to any disputes regarding pollutions, if any: None
4. During the most recent year and as of the print date of this annual report, in case of any damages (including compensations) incurred by the Company for environmental pollutions, the amount of fines imposed on the Company, responding measures (including improvement measures) going forward, potential expenses (including possible and estimated losses, penalties and damages if no actions have been taken). If a reasonable estimate cannot be provided, please explain the factual reasons why: None

V. Employment Relationships

- (I) Employee benefits, training & education, retirement system and its implementation, agreement with employees and protection of employee interests

1. Employee benefits

The Company and its subsidiaries offer subsidies for weddings, funerals, celebrations, etc. of employees, employee travels, performance and year-end bonuses, social insurance, holiday gift, afternoon tea in pleasure, department dinners and employee commercial insurance, etc. We also provide a variety of workshops and training programs to expand the horizon and enhance work efficiency of employees.

2. Training & education of employees

The Company and its subsidiaries attach great importance to talent training, regard talent as an important asset of the Company. In order to enable colleagues at all levels to fully understand the content of the tasks and professional knowledge they undertake, to provide talent guarantee for the realization of the group's strategic goals, to cultivate future core business leaders, and to inherit and promote the corporate culture, to achieve the corporate mission and vision, to combine personal goals with corporate goals, and grow together, the Company has built a corporate university, we organize training & education sessions from time to time. We hope our employees can constantly absorb new information, enhance their competence and work quality so that we can improve operating performances and boost competitiveness.

3. Retirement system

Chintex Enterprises Limited, Guangzhou Runwell Knits Textile and Guangzhou Chintex Management Consulting Co., Ltd., the Company's subsidiaries in China, comply with the regulations stipulated in Social Insurance Law of the People's Republic of China by paying contributions for employees. Such contributions include Medicare, childbirth & raising, retirement, occupational injury and redundancy purposes and pension reserves.

TSP, our subsidiary in Cambodia, adheres to the Cambodian Law on Social Security Schemes for Persons Governed by the Labor Law by making contributing for employees' health insurance and coverage of occupational risks (accidents and diseases).

The subsidies outside China or Cambodia follow the relevant labor laws and regulations in the jurisdictions where they operate.

4. Agreements with employees and protection of employee interests

The rights of our employees are our top priority. We proactively communicate with supervisors of different functions and practice human-based management. Our labor policy is based on honest communication and the following activities, to create a win-win for the Company and the employees.

- A. Compliance with relevant labor laws and regulations to create a harmonious relation with employees and maximize the protection of employees
- B. Smooth communication with employees so that they can fully express opinions and receive responses
- C. Full advocacy of operational status and material measures in the Company and its subsidiaries so that employees can fully understand, support and collaborate.

- (II) During the most recent year and as of the print date of this annual report, the impairment having been undergone by the Company as a result of labor disputes with disclosure of the amount of impairment so far and anticipated in the future as well as the countermeasures. If such amounts could not be reasonably estimated, the fact that it cannot be reasonably estimated should be explained in full: None.

VI. Cyber security management

(I) Cyber security risk management framework

In order to protect the security of confidential information of the Company and its customers, the Company has set up the IT department to take charge of information security management and monitoring, and has at the same time formulated the “Procedures for Notification and Response Mechanism for Information Security Incidents”, by which the IT department shall take charge of the overall planning of establishment of the information security management system.

(II) Cyber security policy

In order to strengthen the Company's information security management, strengthen supervision and improvement of the Company's internal information security protection, effectively reduce the risk of internal and external theft, improper use, breach, tampering or destruction of information assets due to human negligence, intentional or natural disasters, etc., and to assure the information security, and to establish a proper computer use environment to fully support various tasks, the relevant management procedures and response mechanism will be formulated to maintain the Company's information security.

(III) Cyber security risks and coping measures

At present, the Company has built internal and external firewalls, and used off-site backup of important files to reduce the risk of network attacks. Through the built-in virus protection mechanism, the infection of malicious viruses has been reduced and the network virus has been removed in real time. The existing relevant personnel of IT department dedicate in the management and maintenance of software and hardware, and continue to conduct regular publicity and various protection drills for all colleagues in the Company to educate and enhance the awareness and responsibility of all employees for cyber security maintenance.

(IV) Significant cyber security incidents

In 2021 and as of the print date of this annual report, there was no loss of operation or goodwill due to major cyber security incidents. The IT department is currently responsible for the notification and handling of cyber security incidents. The Company has formulated “Procedures for Notification and Response Mechanism for Information Security Incidents”, including incident classification and the procedure for response mechanism. IT department is required to exclude and resolve information security incidents within the target processing time, and conduct relevant analysis and take corrective measures after the completion of the handling of the incident, and strengthen IT security

VII. Key agreements

Material and valid contracts signed by the Company in its key operating sites up to date:

| Nature of the contract | Company | Counterparty | Term of the contract | Highlights | Restrictive clause |
|-----------------------------|--------------------------------------|----------------------------------|---|---|--------------------|
| Outsourcing manufacturing | CHINTEX ENTERPRISES LIMITED | Company A | From July 1, 2022 to December 31, 2022 | Outsourced manufacturing of greiges and colored/finished fabrics | None |
| Right-of-use of land | Top Sports Textile Vietnam Co., Ltd. | Thanh Thanh Cong Industrial Zone | From May 7, 2021 to December 26, 2058 | It is expected to be built factory in Vietnam | None |
| Land leasing | TOP SPORTS TEXTILE LTD. | Chin-Mao Lin | From January 1, 2021 to December 31, 2028 | Land renting for manufacturing facilities from Chintex in Manhattan Special Economic Zone, Svay Rieng | None |
| Memorandum of Understanding | TOP SPORTS TEXTILE LTD. | GAP Inc. | Effective October 22, 2021 | Agreement on trading conditions of supply | None |
| Bank loan | Top Star Textile Limited | Standard Chartered (Hong Kong) | Effective June 19, 2020 | Terms of credit extension by bank | None |
| Bank loan | Top Star Textile Limited | Hang Shen Bank | Effective August 31, 2020 | Terms of credit extension by bank | None |
| Bank loan | Top Star Textile Limited | Dah Sing Bank | Effective August 20, 2020 | Terms of credit extension by bank | None |
| Bank loan | CHINTEX ENTERPRISES LIMITED | Standard Chartered (China) | Effective April 7, 2021 | Terms of credit extension by bank | None |

Six. Financial Highlights

I. The condensed balance sheet and Statement of Comprehensive Income for the last five years

(I) Condensed Balance Sheet and Income Statement

1. Condensed Balance Sheet-International Financial Reporting Standards (IFRS)

Unit: NT\$ thousand

| Year Item | | Financial information for the past five years | | | | | Financial information as of March 31, 2022 (Note) |
|--|---------------------|---|-----------|-----------|-----------|-----------|---|
| | | 2017 | 2018 | 2019 | 2020 | 2021 | |
| Current Assets | | 1,547,363 | 2,111,947 | 2,985,110 | 2,938,842 | 3,767,233 | 3,836,497 |
| Property, plant and equipment | | 542,892 | 628,138 | 908,610 | 803,289 | 776,276 | 822,864 |
| Intangible assets | | 412 | 329 | 247 | 181 | 510 | 501 |
| Other assets | | 24,113 | 29,224 | 136,039 | 273,483 | 313,515 | 349,983 |
| Total assets | | 2,114,780 | 2,769,638 | 4,030,006 | 4,015,795 | 4,857,534 | 5,009,845 |
| Current liabilities | Before distribution | 1,281,816 | 1,756,449 | 1,541,423 | 1,494,402 | 2,284,891 | 2,198,390 |
| | After distribution | 1,281,816 | 1,756,449 | 1,793,423 | 1,698,171 | (Note1) | - |
| Non-current liabilities | | 28,712 | 75,723 | 147,309 | 107,354 | 78,585 | 93,490 |
| Total liabilities | Before distribution | 1,310,528 | 1,832,172 | 1,688,732 | 1,601,756 | 2,363,476 | 2,291,880 |
| | After distribution | 1,310,528 | 1,832,172 | 1,940,732 | 1,805,525 | (Note1) | - |
| The Equity contributed to the owners of Parent Company | | 804,252 | 937,466 | 2,341,274 | 2,414,039 | 2,494,058 | 2,717,965 |
| Capital stock | | 230,000 | 230,000 | 315,000 | 315,000 | 315,000 | 315,000 |
| Capital surplus | | - | 603,900 | 1,614,016 | 1,614,016 | 1,614,016 | 1,614,016 |
| Retained earnings | Before distribution | 606,397 | 147,076 | 535,204 | 699,244 | 831,607 | 966,098 |
| | After distribution | 606,397 | 147,076 | 283,204 | 495,475 | (Note1) | - |
| Other equity | | (32,145) | (43,510) | (122,946) | (193,419) | (245,763) | (156,347) |
| Treasury stock | | - | - | - | (20,802) | (20,802) | (20,802) |
| Non-controlled Equity | | - | - | - | - | - | - |
| Total equity | Before distribution | 804,252 | 937,466 | 2,341,274 | 2,414,039 | 2,494,058 | 2,717,965 |
| | After distribution | 804,252 | 937,466 | 2,089,274 | 2,210,270 | (Note1) | - |

Note1: The distribution of 2021 earnings had yet to be resolved in a shareholder meeting.

Note2: The reviewed consolidated financial statements for the first quarter of 2022.

2. Condensed Statements of Comprehensive Income - International Financial Reporting Standards (IFRS)

Unit: NT\$ dollar for EPS ; NT\$ thousand for other items

| Item \ Year | Financial information for the past five years | | | | | Financial information as of March 31, 2022(Note) |
|--|---|-----------|-----------|-----------|-----------|--|
| | 2017 | 2018 | 2019 | 2020 | 2021 | |
| Operating revenues | 4,405,897 | 5,769,670 | 7,358,438 | 5,389,194 | 7,418,374 | 2,074,450 |
| Gross operating profit | 811,573 | 883,908 | 1,276,221 | 1,169,454 | 1,084,222 | 337,414 |
| Other incomes and expenses (net) | - | - | - | - | - | - |
| Operating gain/loss | 321,585 | 334,936 | 551,958 | 555,037 | 408,041 | 164,948 |
| Non-Operating revenues and expenditures | 21,625 | 9,477 | (31,522) | (17,504) | 4,600 | (521) |
| Net profit (loss) before tax | 343,210 | 344,413 | 520,436 | 537,533 | 412,641 | 164,427 |
| Net profit (loss) for the year of continuing operations | 259,225 | 263,274 | 388,128 | 416,040 | 336,132 | 134,491 |
| Loss from discontinued operations | - | - | - | - | - | - |
| Net profit (loss) for the year | 259,225 | 263,274 | 388,128 | 416,040 | 336,132 | 134,491 |
| Other comprehensive income for the year (net after-tax) | (73,060) | (11,365) | (79,436) | (70,473) | (52,344) | 89,416 |
| Total amount of comprehensive incomes for the year | 186,165 | 251,909 | 308,692 | 345,567 | 283,788 | 223,907 |
| Net profit contributed to the owners of Parent Company | 259,225 | 263,274 | 388,128 | 416,040 | 336,132 | 134,491 |
| Total amount of comprehensive income contributed to the owners of Parent Company | 186,165 | 251,909 | 308,692 | 345,567 | 283,788 | 223,907 |
| Earnings per share | 11.27 | 11.45 | 13.92 | 13.25 | 10.72 | 4.29 |

Note: The reviewed consolidated financial statements for the first quarter of 2022.

3. Names of CPAs and their audit opinions for the last five years

| Year | Name of Firm | CPA | Audit Opinions |
|------|--------------|-----------------------------|---------------------|
| 2017 | PwC Taiwan | Man-Yu Juanlu Ya-Hui Lin | Unqualified opinion |
| 2018 | PwC Taiwan | Man-Yu Juanlu Ya-Hui Lin | Unqualified opinion |
| 2019 | PwC Taiwan | Man-Yu Juanlu Ya-Hui Lin | Unqualified opinion |
| 2020 | PwC Taiwan | Man-Yu Juanlu Ya-Hui Lin | Unqualified opinion |
| 2021 | PwC Taiwan | Man-Yu Juanlu Ya-Hui Lin | Unqualified opinion |

II. Financial Analyses for the last five years

Financial Analyses for the last five years - adopting International Financial Reporting Standards (IFRS) (Consolidated)

| Analyzed Item \ Year | | Financial information for the past five years | | | | | Financial information as of March 31, 2022(Note 1) |
|--|--|---|--------|--------|--------|--------|--|
| | | 2017 | 2018 | 2019 | 2020 | 2021 | |
| Capital Structure (%) | Liabilities to assets ratio (%) | 61.97 | 66.15 | 41.90 | 39.89 | 48.66 | 45.75 |
| | Long-term funds to property, plant and equipment ratio (%) | 153.43 | 161.30 | 273.89 | 313.88 | 331.41 | 341.67 |
| Liquidity (%) | Current ratio (%) | 120.72 | 120.24 | 193.66 | 196.66 | 164.88 | 174.51 |
| | Quick Ratio (%) | 71.97 | 72.26 | 138.25 | 143.95 | 96.69 | 101.90 |
| | Interest coverage ratio (times) | 29.27 | 23.95 | 20.93 | 74.31 | 68.67 | 72.55 |
| Operating ability | Accounts receivable turnover rate (times) | 6.71 | 7.95 | 8.58 | 6.35 | 7.03 | 6.32 |
| | Average days of accounts receivable (days) | 54 | 46 | 42 | 57 | 52 | 58 |
| | Inventory turnover rate (times) | 5.54 | 6.50 | 7.09 | 5.14 | 5.40 | 4.41 |
| | Accounts payable turnover rate (times) | 6.55 | 6.66 | 6.26 | 3.87 | 4.56 | 4.61 |
| | Average days of sales (days) | 66 | 56 | 52 | 71 | 68 | 83 |
| | Property, plant and equipment turnover rate (times) | 7.74 | 9.85 | 9.58 | 6.30 | 9.39 | 10.38 |
| | Total asset turnover rate (times) | 1.93 | 2.36 | 2.16 | 1.34 | 1.67 | 1.68 |
| Profitability | Return on assets (%) | 11.66 | 11.25 | 11.99 | 10.48 | 7.69 | 11.06 |
| | Return on equity (%) | 31.74 | 30.23 | 23.68 | 17.50 | 13.70 | 20.64 |
| | Net gains before tax to paid-in capital ratio (%) | 149.22 | 149.74 | 165.22 | 170.65 | 131.00 | 208.80 |
| | Net gain ratio (%) | 5.88 | 4.56 | 5.27 | 7.72 | 4.53 | 6.48 |
| | Earnings per share (\$) | 11.27 | 11.45 | 13.92 | 13.25 | 10.72 | 4.29 |
| Cash flow | Cash flow ratio (%) | 28.93 | 11.86 | 51.98 | 53.78 | -12.32 | -23.51 |
| | Cash flow adequacy ratio (%) | Note 3 | Note 3 | Note 3 | 129.57 | 63.48 | 49.68 |
| | Cash reinvestment ratio (%) | 33.15 | 15.41 | 29.07 | 19.00 | -17.07 | -16.67 |
| Leverage | Operating leverage | 3.11 | 2.80 | 2.80 | 3.22 | 4.25 | 3.48 |
| | Financial leverage | 1.04 | 1.05 | 1.05 | 1.01 | 1.02 | 1.01 |
| Please provide the reasons for the change in financial ratios during the most recent two years. (Not mandatory if the change is within 20%) | | | | | | | |
| (1) Higher Quick Ratio: The rise in the price of the main material - cotton yarns - was mainly caused by the sharp rise of the international price of cotton in 2021. In order to reduce cost pressure and prepare goods in advance according to the demand for orders, the inventories and accounts payable at the end of the year increased compared with last year. | | | | | | | |
| (2) Higher Property, plant and equipment turnover rate, Total asset turnover rate & Operating leverage: The decline in operating revenues was mainly due to the impact of a pandemic. The operating revenue returned to the level before the pandemic after the orders became stable in 2021. | | | | | | | |
| (3) Lower Return on assets, return on equity, Net gain before tax to paid in capital ratio, Net gain ratio and Earnings per share: The decline in gross profit was mainly due to the rise of the main raw material – cotton yarn, and thus profitability is affected. | | | | | | | |
| (4) Lower Cash flow ratio, Cash flow adequacy ratio & Cash reinvestment ratio: It was mainly due to the rise in raw materials. In order to control the operating profitability of the Company, the funds were invested in preparation of goods in advance, to reduce the factor of interruption of cost. | | | | | | | |
| (5) Higher Operating Leverage: The decline in gross profit was mainly due to the rise in the main raw material – cotton yarn, and thus profitability was further affected. | | | | | | | |

Note1: The reviewed consolidated financial statements for the first quarter of 2022.

Note 2: Basic EPS

Note 3: IFRS not applicable before 2016, thus no presentation here

Note 4: The calculation in this table is as follows:

1. Capital Structure
 - (1) Liabilities to assets ratio = total liabilities / total assets
 - (2) Long-term funds to property, plant and equipment ratio = (total equity + non-current liabilities) / net property, plant and equipment
2. Liquidity
 - (1) Current ratio = current assets / current liabilities
 - (2) Quick ratio = (current assets – inventory- prepaid expenses) / current liabilities
 - (3) Interest coverage ratio (times) = net gains before income tax and interest / interest expenses of the current term
3. Operating ability
 - (1) Account receivables (including Notes receivables from operating activities and accounts receivable) turnover = net sales/average receivables of each term (including notes receivables from operating activities and accounts receivable) balance
 - (2) Average days of accounts receivable = 365 / receivables turnover rate
 - (3) Inventory turnover rate = COGS (cost of goods sold)/average inventory amount
 - (4) Account payables (including Notes payable from operating activities and accounts payable) turnover= COGS (cost of goods sold)/average payables of each term (including Notes payable from operating activities and accounts payable) balance
 - (5) Average days of sales = 365 / inventory turnover rate
 - (6) Property, plant and equipment turnover rate = net sales / average net property, factory and equipment
 - (7) Total assets turnover rate = net sales / average total assets
4. Profitability
 - (1) Return on assets = [gain/loss after-tax + interest expense × (1-tax rate)] / average total asset
 - (2) Return on equity = gain/loss after-tax / average total equity
 - (3) Net gains ratio = gain/loss after-tax / net sales
 - (4) Earnings per share = (the gain/loss contributed to the parent company – preferred stock dividend) / weighted average shares outstanding
5. Cash flow
 - (1) Cash flow ratio= net cash flow of operating activities/current liabilities
 - (2) Cash flow adequacy ratio= net cash flow of operating activities in the past five years / the past five years sum of (capital expenditures + inventory addition +cash dividends)
 - (3) Cash reinvestment ratio=(net cash flow of operating activities- cash dividends) / (Property, plant and equipment gross + long term investment + other non-current assets + working capital)
6. Leverage
 - (1) Operating leverage = (operating revenues - variable operating cost and expenses)/operating income
 - (2) Financial leverage = operating profit / (operating profit - interest expense)

III. Audit Report of the Audit Committee for the Financial Statements in the most recent year: Please refer to the Appendix 1.

IV. Financial statements, auditors' reports, balance sheets, income statements, statement of change in equity, and cash flows statements during the most recent two years, footnotes, and tables: Please refer to the Appendix 2.

V. The Parent Company Only financial report of the Company that had been verified by the Certified Public Accountant in the most recent year: The Company is a foreign issuer and hence, this is not applicable.

VI. The financial problems of the Company and its affiliates found during the most recent year and as of the print date of this annual report issuance and the impact of such problems upon the Company's financial position: None

Seven. Review of Financial Position, Financial Performance, and Risks Related Issues

I. Financial Position

Unit: NT\$ thousand; %

| Accounting Item \ Year | 2020 | 2021 | Discrepancy | |
|---|-----------|-----------|-------------|---------|
| | | | Amount | % |
| Current assets | 2,938,842 | 3,767,233 | 828,391 | 28.19 |
| Property, plant and equipment | 803,289 | 776,276 | (27,013) | (3.36) |
| Intangible assets | 181 | 510 | 329 | 181.77 |
| Other assets | 273,483 | 313,515 | 40,032 | 14.64 |
| Total assets | 4,015,795 | 4,857,534 | 841,739 | 20.96 |
| Current liabilities | 1,494,402 | 2,284,891 | 790,489 | 52.90 |
| Non-current liabilities | 107,354 | 78,585 | (28,769) | (26.80) |
| Total liabilities | 1,601,756 | 2,363,476 | 761,720 | 47.56 |
| Capital stock | 315,000 | 315,000 | - | - |
| Capital surplus | 1,614,016 | 1,614,016 | - | - |
| Retained earnings | 699,244 | 831,607 | 132,363 | 18.93 |
| Other equity | (193,419) | (245,763) | (52,344) | 27.06 |
| Treasury stock | (20,802) | (20,802) | - | - |
| Non-controlled Equity | - | - | - | - |
| Total equity | 2,414,039 | 2,494,058 | 80,019 | 3.31 |
| Major changes: | | | | |
| 1. The increase in current assets and total assets was mainly due to the increase in inventory caused by early preparation of goods in order to reduce the effects on the rise in cost resulted from the rise in raw materials. | | | | |
| 2. The increase in current liabilities was mainly due to the increase in funds required for early preparation of goods, resulting in an increase in bank borrowings and the corresponding accounts payable. | | | | |
| 3. The increase in retained earnings was mainly due to the continuance of operating profit. | | | | |
| 4. An increase in other equity primarily due to translational gains from overseas assets and liabilities denominated in foreign currencies | | | | |

Note: Audited consolidated financial statements

II. Individual financial statement

(I) Analysis and comparison of financial performances:

Unit: NT\$ thousand

| Item \ Year | 2020 | 2021 | Amount in increase (decrease) | Ratio (%) of change |
|---|-----------|-----------|-------------------------------|---------------------|
| Operating revenues | 5,389,194 | 7,418,374 | 2,029,180 | 37.65 |
| Operating cost | 4,219,740 | 6,334,152 | 2,114,412 | 50.11 |
| Gross profit | 1,169,454 | 1,084,222 | (85,232) | (7.29) |
| Operating expenses | 614,417 | 676,181 | 61,764 | 10.05 |
| Other incomes and expenses (net) | - | - | - | - |
| Net operating income | 555,037 | 408,041 | (146,996) | (26.48) |
| Non-Operating revenues and expenditures | (17,504) | 4,600 | 22,104 | (126.28) |
| Before tax net profit | 537,533 | 412,641 | (124,892) | (23.23) |
| Income Tax Expense | 121,493 | 76,509 | (44,984) | (37.03) |
| Net profit (loss) for the year | 416,040 | 336,132 | (79,908) | (19.21) |
| Other comprehensive income (Net after-tax) | (70,473) | (52,344) | 18,129 | (25.72) |
| Total amount of comprehensive income | 345,567 | 283,788 | (61,779) | (17.88) |
| Net profit contributed to the owners of Parent Company | 416,040 | 336,132 | (79,908) | (19.21) |
| Net profit contributed to the owners of Non-controlled Equity | - | - | - | - |
| Total amount of comprehensive income contributed to the owners of Parent Company | 345,567 | 283,788 | (61,779) | (17.88) |
| Total amount of comprehensive income contributed to the owners of Non-controlled Equity | - | - | - | - |
| Major changes: | | | | |
| 1. In 2021, the global acceleration to get rid of the impact of the previous year's epidemic came from the increase in demand from end consumers, which led to the growth and stabilization of orders, and the operating revenues returned to the level before the epidemic. However, inflation pressure caused the Company's main raw material-cotton yarn-price to rise and erosion of the Company's profits, resulting in a decline in gross profit. | | | | |
| 2. The increase in nonoperating expenditures: Mainly due to the increase in sales volume, resulting in a rise in the corresponding sales expenses. | | | | |
| 3. The decrease in non-operating expenses: mainly due to the provision of impairment on the equipment that was not sufficient to be used last year, but no such impairment was provided for the current year. | | | | |

Note: Audited consolidated financial statements

(II) Anticipated sales volumes and the grounds thereof, the potential impact upon the Company's finance and business operation and the countermeasures thereof.

The Company is primarily engaged in the R&D, manufacturing, and production of cotton blended knitted fabrics for athleisure. We work together with international brands such as Adidas, PUMA, NIKE and GAP for product development. McKinsey predicts that the sports industry will continue to recover, and it is estimated that by 2025, the global sportswear market is expected to grow at an annual rate of 8% to 10%, from 295 billion euros in 2021 to 395 billion euros in 2025. Meanwhile, the Company continues its investment in the existing

portfolio and quality improvement, to further cooperate with customers and enhance procurement competitiveness. We hope to establish a forward-looking product mix and cost advantages to boost revenues and profits. We will continue the financial planning to ensure the robustness of our financial structure for future growth.

III. Cash flow:

- (I) Analysis into changes in cash flow in the most recent year:

Unit: NT\$ thousand

| Item \ Year | 2020 | 2021 | Ratio (%) of Increase (decrease) |
|---|-----------|-----------|----------------------------------|
| Cash provided (used) in operating activities | 803,634 | (281,475) | (135.03) |
| Cash provided (used) in investment activities | (227,654) | (139,662) | (38.65) |
| Cash provided (used) in financing activities | (424,556) | (61,236) | (85.58) |
| Analytical descriptions of the increase/decrease ratio: | | | |
| (1) The change of net cash flows in operating activities from “provided” to “used” was mainly due to the use of operating funds for early preparation of goods to reduce the effect of the rise of raw materials on the rise in cost. | | | |
| (2) The decrease in net cash flows used in investing activities was mainly due to the prepayment for use rights of land in the project of construction of factories in Vietnam, 2020. Such circumstance did not occur in 2021. | | | |
| (3) The decrease in net cash flows used in financing activities was mainly due to the increase in short-term borrowing required for operations in 2021. | | | |

- (II) Improvement plan for inadequate turnover:

As we expect to remain profitable in 2022, there is no liquidity concern.

- (III) Analyses on the cash liquidity in the coming year:

Unit: NT\$ thousand

| Beginning cash balance | Net cash flow from operating activities in the entire year | Cash outflow of the entire year | Cash balance (shortfall) | Countermeasures against inadequate cash | |
|---|--|---------------------------------|--------------------------|---|------------------------|
| | | | | Investment plan | Wealth management plan |
| 740,504 | 982,474 | (956,067) | 766,911 | — | — |
| Analyses into changes in cash flow in 2022: | | | | | |
| (1) Operating activities: This was primarily due to cash inflows from profits, and net change in receivables, inventory, and payables. | | | | | |
| (2) Investing and financing activities: Mainly used for investment in setting up factories in Vietnam. | | | | | |

IV. Impact of major capital expenditures on financials during the most recent year

At the end of 2020, the company decided to go to Vietnam to build an integrated weaving and dyeing factory. It is estimated that it will cost about US\$55,000, which is expected to be supported by the group’s own funds, bank loans or other methods. This plan is expected to be completed in the first half of 2023. After completion, the release of production capacity will be able to increase the annual production capacity of the Group by approximately 36 million pounds, which can further increase the Company's own production capacity. In sum, the expansion will not only boost the Company’s topline and bottom line, it will also provide flexibility in operations.

V. Equity investment policy, investment gains/losses during the most recent year, improvement measures and investment plans for the next year

(1) Equity investment policy

The Company focuses on its core business and does not engage in other activities via equity investments. We have set up the Guideline for Lifecycle of Investments, the Regulations Governing Supervision and Management of Subsidiaries, the Regulations Governing Transactions with Affiliated Parties and the Procedures for Asset Acquisitions/Disposals. Any relevant investment project shall be processed according to these regulations.

(II) Reasons for equity investment gains/losses during the most recent year, and improvement measures

Unit: NT\$ thousand

| Investee | Holdings % direct (indirect) | Recognized gains/losses in 2021 | Reason for gains/losses | Improvement measure |
|---|------------------------------------|---------------------------------------|--|------------------------------|
| Bumper (BVI) | 100 | 99,164 | Investment gains/losses recognized by the holding company | N/A |
| TST(BVI) | 100 | 256,929 | Investment gains/losses recognized by the holding company | N/A |
| THRIVE | 100 | (7,337) | Investment gains/losses recognized by the holding company | N/A |
| Top Star | 100 | 230,494 | Good operating status | N/A |
| Chintex Enterprises Limited | 100 | 15,094 | Good operating status | N/A |
| Guangzhou Runwell Knits Textile | 100 | 8,469 | Good operating status | N/A |
| TSP | 100 | 112,318 | Good operating status | N/A |
| Guangzhou Chintex Management Consulting Co., Ltd. | 100 | 2,362 | Good operating status | N/A |
| TST (Vietnam) | 100 | (11,827) | The deficit was mainly due to the lack of economy of scale | Streamlined cost expenditure |
| TSP (Vietnam) | 100 | (7,238) | For the pre-preparatory stage of building of the factory | - |
| Hubei Zhong sheng Textile Co., Ltd. | 35 | - | Operation suspended | N/A |

(III) Investment plan for the next 12 months:

- (1) Going to Vietnam to build a new weaving and dyeing factory with an estimated investment of US\$ 55,000 thousand.
- (2) We have signed the memorandum which acquires the garment company in China, to actively arrange for brand customers to inspect the factory and take samples, and to implement the goal of mid-stream and downstream integration and one-stop production.

VI. Risk Assessments

- (I) During the most recent year and as of the print date of this annual report, the impact of interest rates, exchange rates and inflation on the Company's profitability and the proposed responding measures:

1. Influence of interest rate changes on the Company's profitability and the proposed responding measures

The Company and its subsidiaries recognize interest income from demand deposits with banks and interest expenses due to borrowing from financial institutions to fund working capital. The Company and its subsidiaries reported interest expenses of NT\$1,876 thousand and NT\$1,247 thousand (or 0.03%及 0.02% of sales), respectively, in 2020 and 2021. This suggests limited influence of interest rate changes on the Company's operations. As the Company and its subsidiaries continue to expand its scale and boost profitability, the increasing internal funds will gradually reduce our reliance on bank loans.

Responding measures:

If interest rates fluctuate dramatically and the Company still needs to borrow, we will consider fund raising from the capital market. The Company will also select either fixed or floating rates, depending on the trend of interest rate, to mitigate the risks of interest rates volatility. We maintain good relations with banks to access favorable borrowing rates. The Company and its subsidiaries will also strictly control and manage our currency exposures, to respond to exchange rate fluctuations.

2. Influence of exchange rate changes on the Company's profitability and the proposed responding measures

The Company and its subsidiaries book revenues mainly in USD and some in CNY. We pay for our procurements primarily in CNY. In sum, our functional currencies for daily operations are USD and CNY. We seek to reduce currency exposure and exchange rate risks via natural hedging and when appropriate forward contracts. Below are the exchange gains recognized by the Company and its subsidiaries during the most recent years.

Unit: NT\$ thousand

| | 2020 | 2021 |
|------------------------------|----------|---------|
| Exchange gains | (12,870) | (8,735) |
| As a percentage of sales (%) | 0.24% | 0.12% |

The amount and magnitude of the currency exposure by the Company and its subsidiaries are due to a high percentage of sales in USD and a portion of payments are in CNY. In sum, the Company's currency gains/losses are highly related to the exchange rates of USD and CNY.

In 2021, US-China trade accelerated the return of Taiwanese businessmen and the effect of transferring orders, driving strong exports and a strong appreciation of the Taiwan dollar. As the Company's functional currency is the US dollar, when distributing the Taiwan dollar dividend, the exchange loss was recognized; as China's production was exported, the collection was in US dollars, and the payment for goods was in RMB, the appreciation of the RMB against the US dollar in 2021 also had an impact.

Responding measures:

To mitigate the risks to profitability due to currency rate fluctuations, the Company collects market information to interpret the trends and assess the risks. We also maintain

close conversations with banks to stay on top of exchange rate movements, to make timely adjustments if necessary. We also adopt the following measures to reduce the impact of currency fluctuations on our topline and bottom line:

- A. The financial department of the Company and its subsidiaries maintain a good relationship with financial institutions to access their insight into exchange rate movements. We also stay on top of the international currency market and financial updates. We manage and adjust, when appropriate, our foreign currency positions, to mitigate the adverse impact of currency fluctuations on our profitability.
 - B. Depending on our forecast of the currency movement, the Company and its subsidiaries enter into forward contracts, when appropriate, to hedge the currency risks.
 - C. When providing quotes to customers, the sales department should take into consideration the currency fluctuations to mitigate currency risks.
 - D. Depending on the assets and liabilities denominated in foreign currencies, the Company seeks to maintain a certain level of position as a buffer against the impact of exchange rate fluctuations.
3. Influence of inflation on the Company's profitability and the proposed responding measures

As of the print date of this annual report, the Company has not experienced any major impact of inflation or deflation despite rapid changes in the global economy.

Responding measures

Going forward, the Company plans to maintain good interactions with suppliers and keep abreast of market price movements. We adjust procurement strategies and cost structures in a timely manner, to mitigate the impact of inflation on our profitability.

- (II) During the most recent year and as of the print date of this annual report, the policy regarding highly risky and highly leveraged investments, lending to others, endorsements/guarantees, and derivative instruments, main reasons for gains/losses and proposed responding measures:

1. Reasons for gains/profits from highly risky and highly leveraged investments and proposed responding measures

The Company has not engaged in any highly risky and highly leverage investments during recent years and as of the print date of this annual report.

2. Reasons for gains/profits from lending to others and proposed responding measures

The Company lends primarily to overseas subsidiaries directly or indirectly controlled with 100% voting rights as part of business dealings or funding requirements. This is processed according to the Guidelines for Lending to Other Parties.

3. Reasons for gains/profits from endorsements/guarantees and proposed responding measures

The Company provides endorsements/guarantees primarily to overseas subsidiaries directly or indirectly controlled with 100% voting rights or engages in mutual guarantees with such subsidiaries for credit facilities offered by banks.

This is processed according to the Guidelines for Endorsements/Guarantees.

4. Reasons for gains/profits from derivatives transactions and proposed responding measures

The Company has not engaged in derivatives transactions during the most recent years and as of the print date of this annual report. Going forward, we will primarily be engaged in USD/CNY forward contracts for hedging purposes, to mitigate the exchange rate risks associated with our assets and liabilities denominated in foreign currencies. This will be processed according to the Procedures for Asset Acquisitions/Disposals and the Guideline for Lifecycle of Investment – Control Operations for Derivatives Transactions.

(III) R&D plans and budgets:

The Company is committed to environmental protection in its operations. Going forward, our R&D projects will focus on environmental protection and energy efficiency. Below is a summary of our R&D plans and budgets.

| | R&D plans | Additional R&D spending expected |
|------------------------------------|--|----------------------------------|
| Theoretical Fundamental Research | 1.Production technology and industrial application of high-efficiency short-process wet-regulating knitted fabrics | USD 100,000 |
| | 2.Plasma pretreatment project industrialization | |
| | 3.Atomization Dyeing and Finishing Technology and Equipment Research | |
| | 4. Fleece Sweater Fabric Anti-Shedding Finishing | |
| | 5. Improvement of grain and style (fullness) of plain weave | |
| Fabric development and improvement | 1.The performance of the fabric is improved | USD 200,000 |
| | 2.Quality upgrade of fabric | |
| | 3.Improve the appearance of the fabric | |
| Product operation promotion | 1.Fabric product packaging | USD 130,000 |
| | 2.Digital intelligent manufacturing technology | |
| | 3.Internet marketing platform operating expenses | |

(IV) Influence of changes in government policies and laws/regulations domestic and overseas on the Company's financials and operations and the proposed responding measures:

The Company is registered in the Cayman Islands and operates in China, Hong Kong, and Cambodia. We adhere to the laws/regulations and relevant government policies in the jurisdiction where the Company is registered, and in the jurisdictions where the Company operate. We keep a close eye on any change and development so that we can respond to market conditions and adopt appropriate measures in a timely manner. As of the print date of this annual report, the Company has not suffered significant and adverse impacts on its financials or operations due to change in government policies or laws/regulations domestic or overseas.

(V) Influence of technological changes (Including information security risks) and industrial evolution on the Company's financials and operations and the proposed responding measures:

The Company watches closely the advancement of technologies and stays informed of the most up-to-date market information, to assess how the industry dynamics affect our business and operations. In respect of cyber security risks, information technology evolves

rapidly, and related cyber-attacks are frequently reported. The relative protection mechanisms established by existing technologies cannot completely prevent them. Follow-up recovery and encryption mechanisms for confidential data are established to reduce the impact of Influence of technological changes (Including information security risks) and industrial evolution on the Company's financials and operations and the proposed responding measures. During the most recent year and as of the print date of this annual report, the Company has not seen any significant impact on its financials or operations due to technological changes (including information security risks) or industry evolution.

- (VI) Influence of corporate image change on crisis management and the proposed responding measures:

The Company is committed to its business philosophy of integrity, trust, and sustainability. Since inception, we have been dedicated to our core business and we have a good corporate image as we comply with all the relevant laws and regulations and endeavor to protect our reputation. During the most recent year and as of the print date of this annual report, the Company has not experienced any crisis management events due to changes in the corporate image.

- (VII) Expected benefits and potential risks of ongoing M&As, and the proposed responding measures:

As of the print date of this annual report, the Company has signed the memorandum which acquires the garment company in China, but it is still in the negotiation stage.

- (VIII) Expected benefits and potential risks of capacity expansions, and the proposed responding measures: None.

- (IX) Risks of customer or supplier concentration, and the proposed responding measures:

1. Customer concentration

During the most recent year and as of the print date of this annual report, none of the customers accounted for 30% or higher of the group's revenues.

2. Supplier concentration

During the most recent year and as of the print date of this annual report, none of the customers accounted for 30% or higher of the group's procurements.

In sum, the Company is not exposed to the risk of customer or supplier concentration.

- (X) Influence of significant ownership transfer or change by directors, supervisors or shareholders with 10% stakes or higher on the Company, associated risks, and the proposed responding measures: None

- (XI) Influence of control change on the Company, associated risks, and the proposed responding measures: None

As of the print date of this annual report, there has been no change of control for the Company.

- (XII) Litigations or non-litigation events

Any judgements or material litigations ongoing, significant non-litigation or administrative litigations regarding the Company, its directors, supervisors, general manager, beneficial owners, major shareholders with 10% stakes or higher, affiliated companies and the results of such judgements or litigations may have material impact on the rights of the Company's shareholders or the prices of its securities, the facts in contention, the value of underlying targets, start date of litigations, key parties involved and actions taken as of the print date of the annual report: None

(XIII) Other important risks and responding measures:

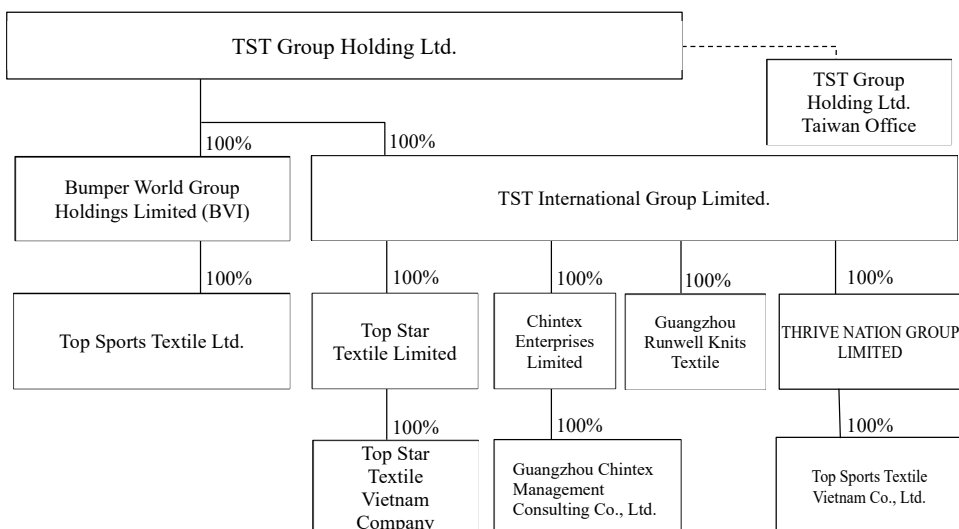
The Company is a holding company registered in the Cayman Islands, with operations in the Cayman Islands, Hong Kong, China, and Cambodia. Any change in the macroeconomy and political environments and volatility of exchange rates for the location of registration and operating activities will affect the Company. Meanwhile, there are many differences between the laws in the Cayman Island and the laws in Taiwan, and the Company Act is one of the examples. Whilst the Company has amended its Articles of Incorporation according to the Checklist for Protection of Shareholders of Securities Issued by Foreign Entities published by the Taiwan Stock Exchange, there are still many discrepancies in the regulatory frameworks between the Cayman Islands and Taiwan in relation to how companies operate. Investors should establish a good understanding and consult with experts regarding investment risks.

VII. Other significant events: None

Eight.Special Disclosure

I. Related information of affiliates

(I) Public relations of affiliated enterprises:



(II) Basic Information of Affiliates

As of December 31, 2021: Unit: NT\$ thousand unless otherwise indicated for foreign currencies

| Company name | Date of incorporation (yy/mm/dd) | Address | Paid-in Capital | Main Business Line |
|---|----------------------------------|---|-----------------|--|
| Bumper World Group Holdings Limited | 2010/1/4 | Jayla Place, 2nd Floor, P.O Box 216, Road Town Tortola, British Virgin Islands | 689,540 | General investment business |
| TST International Group Limited | 2004/7/26 | Jayla Place, 2nd Floor, P.O Box 216, Road Town Tortola, British Virgin Islands | 209,860 | General investment business |
| Thrive Nation Group Limited | 2020/11/25 | Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG1110, British Virgin Islands | 421,600 | General investment business |
| TOP SPORTS TEXTILE LTD. | 2011/4/11 | Manhattan (Svay Rieng) Special Economic Zone, National Road# 1, Sangkat Bavet, Krong Bavet, Svay Rieng Province, Cambodia | 660,660 | Manufacture and production of textiles |
| Top Star Textile Limited | 1991/12/12 | Room 1301, 13/F, New East Ocean Centre, 9 Science Museum Road, Kowloon, Hong Kong | 110,097 | Sales of textiles |
| Top Star Textile Vietnam Company Limited | 2019/6/6 | Road No. 3, Xuyen A Industrial Park, My Hanh Bac Commune, Duc Hoa District, Long An province, Vietnam | 30,040 | Manufacture and production of textiles |
| Top Sports Textile Vietnam Co., Ltd. | 2021/3/27 | Lot No. B17.1, Street N11, Thanh Thanh Cong Industrial Zone, An Hoi Quarter | 401,360 | Manufacture and production of textiles |
| Guangzhou Runwell Knits Textile | 2010/5/31 | (Self-organized) Room 712, 7th Floor, No. 140-148, Tiyu East Road, Tianhe District, Guangzhou | 62,560 | Sales of textiles |
| Chintex Enterprises Limited | 2006/7/31 | Room 3076, Building B, No. 555 Dongchuan Road, Minhang District, Shanghai | 163,473 | Sales of textiles |
| Guangzhou Chintex Management Consulting Co., Ltd. | 2018/7/10 | Room 1911, No. 140-148, Tiyu East Road, Tianhe District, Guangzhou | 4,341 | Management & consultation services |
| Hubei Zhongsheng Textile Co., Ltd. (Note 1) | 2010/5/28 | Hanzheng Industrial Park, Economic Development Zone, Hanchuan City, Hubei Province | 16,498 | Sales of textiles |

Note 1: Being suspended from business operation at the moment

(III) Data of shareholders while presumed to be in control or auxiliary relationship: None.

(IV) Description of business transactions between related companies:

(1) The company indirectly invests in the following companies through Bumper World Group Holdings Limited:

TOP SPORTS TEXTILE LTD. is the company's overseas production base for fabrics.

(2) The company indirectly invests in the following companies through TST International Group Limited:

THRIVE NATION GROUP LIMITED is the holding company of the company's future Vietnam plant.

Top Star Textile Limited is the company's international trading business.

Chintex Enterprises Limited produces and sells fabrics in China for the company.

Guangzhou Runwell Knits Textile manages orders for the company's sales outside of China.

Top Star Textile Vietnam Company Limited is the overseas production base of the company's cloth.

Top Sports Textile Vietnam Co., Ltd. is the overseas production base of the company's cloth.

Guangzhou Chintex Management Consulting Co., Ltd. provides management consulting services for the group.

(V) Information of directors, supervisors, and General Managers of affiliates:

As of December 31, 2021: Unit: NT\$ thousand

| Company Name | Title | Name or Representative | Number of shares held | |
|---|------------------------------|------------------------|---|--------------------|
| | | | Amount of investment/ Number of shares | Shareholding Ratio |
| Bumper World Group Holdings Limited | Director and General Manager | Chin-Mao Lin | - | - |
| TST International Group Limited | Director and General Manager | Chin-Mao Lin | - | - |
| Thrive Nation Group Limited | Director and General Manager | Chin-Mao Lin | - | - |
| TOP SPORTS TEXTILE LTD. | Director and General Manager | Chin-Mao Lin | - | - |
| Top Star Textile Limited | Director | Chin-Mao Lin | - | - |
| | Director and General Manager | Chin-Mao Lin | - | - |
| Top Star Textile Vietnam Company Limited | General Manager | Yu-Ting Lai | - | - |
| Top Sports Textile Vietnam Co., Ltd. | Director | Chin-Mao Lin | - | - |
| Guangzhou Runwell Knits Textile | Director and General Manager | Chiu Yi Kao | - | - |
| Chintex Enterprises Limited | Director and General Manager | Hsin Yi Hsiao | - | - |
| Guangzhou Chintex Management Consulting Co., Ltd. | Director and General Manager | Hsin Yi Hsiao | - | - |

(VI) Affiliates' Business Operating Highlights

As of December 31, 2021: Unit: NT\$ thousand

| Names of enterprises | Capital | Total assets | Total liabilities | Net worth | Operating revenues | Operating interest | Profit and/or loss this term (after-tax) | Earnings per share (EPS) (NT\$) |
|---|---------|--------------|-------------------|-----------|--------------------|--------------------|--|---------------------------------|
| Bumper World Group Holdings Limited | 689,540 | 513,854 | 0 | 513,854 | 0 | (73) | 112,585 | 4.90 |
| TST International Group Limited | 209,860 | 2,034,174 | 13,585 | 2,020,589 | 0 | (78) | 256,929 | 36.70 |
| Thrive Nation Group Limited | 421,600 | 412,785 | 0 | 412,785 | 0 | (157) | (7,337) | (0.49) |
| TOP SPORTS TEXTILE LTD. | 660,660 | 1,262,491 | 763,412 | 499,079 | 1,068,278 | 156,040 | 112,318 | 5.11 |
| Top Star Textile Limited | 110,097 | 1,745,847 | 1,183,283 | 562,564 | 5,547,844 | 296,897 | 230,494 | 7.68 |
| Top Star Textile Vietnam Company Limited | 30,040 | 39,784 | 51,868 | (12,084) | 29,253 | (11,436) | (11,827) | Note 1 |
| Top Sports Textile Vietnam Co., Ltd. | 401,360 | 400,140 | 983 | 399,157 | 0 | (5,328) | (7,238) | Note 1 |
| Chintex Enterprises Limited | 163,473 | 1,666,499 | 1,178,429 | 488,070 | 3,926,145 | (7,437) | 15,094 | Note 1 |
| Guangzhou Runwell Knits Textile | 62,560 | 290,188 | 189,433 | 100,755 | 2,101,618 | 12,032 | 8,469 | Note 1 |
| Guangzhou Chintex Management Consulting Co., Ltd. | 4,341 | 65,017 | 48,117 | 16,900 | 95,075 | 3,687 | 2,362 | Note 1 |

Note 1: As a limited company, without share certificates issued.

(VI) Consolidated financial statements of affiliated enterprises: Exactly same as the consolidated financial statements of parent company and its subsidiaries. Please see Appendix 2 annexed hereto.

II. During the most recent year and as of the print date of this annual report, private placement of negotiable securities: None

III. During the most recent year and as of the print date of this annual report, the Company's stocks held or disposed of by a subsidiary: None

IV. Other supplementary facts: None

V. Matters of material impact on shareholders' equity or securities prices specified in Subparagraph 2 of Paragraph 3 of Article 36 of the Securities and Exchange Act, have occurred during the most recent year and as of the print date of this annual report.: None

VI. Explanation of the differences between the Company's Articles of Association and the provisions on the protection of shareholders' rights of the Republic of China

Upon review of the Company's Amended and Restated Memorandum and Articles of Association (the “**Articles of Association**”), except for the matters described below, the Company has established the relevant regulations to protect the shareholders' rights in accordance with the Checklist of Shareholders' Rights Protection to the extent permitted by the laws of the Cayman Islands. The reasons for the differences between the Company's Articles of Association and the Checklist for the Protection of Shareholders' Rights, the requirements of the country of incorporation, if any, and the effect on the rights of our shareholders are explained as follows.

| Matters | Regulations of the Articles of Association | Reasons for Differences and Explanations |
|--|--|---|
| <p>1. The company shall not cancel its shares, unless a resolution on capital reduction has been adopted by its shareholders' meeting; and capital reduction shall be effected in proportion to the percentage of shares held by the shareholders.</p> <p>2. The company reducing its capital may return share capital to shareholders by distributing property other than cash; the returned property and the amount of such substitutive capital reduction shall be approved by a prior resolution at the shareholders' meeting and be agreed by the shareholders who are going to receive such property.</p> <p>3. Before the shareholders' meeting, the board of directors shall first have the value of such property and the amount of such substitutive capital reduction set forth in the preceding paragraph audited and certified by a Taiwan certified public accountant.</p> | <p>Article 10.7</p> <p>Notwithstanding anything to the contrary contained in Article 10.1 to 10.6, and subject to the Statute, the Memorandum and Articles and the Applicable Public Company Rules, the Company may, with the approval of an Ordinary Resolution, compulsorily redeem or repurchase Shares, provided that such Shares shall be cancelled upon redemption or repurchase and such redemption or repurchase will be effected pro rata based on the percentage of shareholdings of the Members. Payments in respect of any such redemption or repurchase, if any, may be made either in cash or by distribution of specific assets of the Company, as specified in the Ordinary Resolution approving the redemption or repurchase, provided that (a) the relevant Shares will be cancelled upon such redemption or repurchase and will not be held by the Company as Treasury Shares, and (b) where assets other than cash are distributed to the Members, the type of assets, the value of the assets and the corresponding amount of such substitutive distribution shall be (i) assessed by an R.O.C. certified public accountant before being submitted to the Members for approval and (ii) agreed to by the Member who will receive such assets. After the</p> | <p>1. The Cayman Companies Act has a specific provision (section 14) allowing for a reduction of issued share capital, which requires that such reduction be authorised by the shareholders by way of special resolution and which is further subject to confirmation by the Cayman court.</p> <p>2. Other than pursuant to section 14 of the Cayman Companies Act, the issued share capital of a company may only be cancelled if such shares are repurchased, surrendered or redeemed by the company pursuant to section 37 or 37B of the Cayman Companies Act.</p> <p>3. Section 37 of the Cayman Companies Act provides that a company may purchase its own shares in such manner and upon such terms as may be authorised by the company's articles of association or by a resolution of the shareholders. Other than section 37, the Cayman Companies Act does not include specific provisions (i) requiring repurchases to be effected in proportion to the percentage of the shares held by the shareholders, (ii) setting out the required approvals for distributing property other than cash, or (iii) requiring a valuation of the property to be distributed. Provisions dealing with these requirements should therefore be included in the articles of association of the company.</p> <p>4. Article 10.7 of the Company's Articles of Association differs slightly from the important matters for the shareholders' rights protection listed on the left in that the reduction of issued shares is subject to the procedure</p> |

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| | <p>Company has acquired public company status, the foregoing matter shall be made in accordance with the Applicable Public Company Rules as applied to the Company.</p> <p>Article 14.1 Subject to the provisions of the Statute, the Applicable Public Company Rules and the Articles, the Company may by Special Resolution:</p> <ul style="list-style-type: none"> (a) change its name; (b) alter or add to these Articles; (c) alter or add to the Memorandum with respect to any objects, powers or other matters specified therein; (d) reduce its share capital and any capital redemption reserve fund; and (e) increase its authorised share capital or cancel any Shares that at the date of the passing of the resolution have not been taken or agreed to be taken by any person, provided that in the event of any change to its authorised share capital, the Company shall also procure the amendment of its Memorandum by the Members at a general meeting to reflect such change. | <p>of share repurchase for cancellation under the Cayman Companies Act. The Company does not have the right to cancel the shares still held by shareholders. Given this difference, Articles 14.1 and 10.7 of the Company's Articles of Association provide that the procedure for the reduction of the Company's capital shall be by way of share repurchase, which is a consequence of the provisions of the Cayman Companies Act. However, the Company's Articles of Association do not restrict the procedure for reducing the Company's capital.</p> |
| <p>1. Procedures for the company to enter into stock option agreements with its employees or grant employee stock option certificates.</p> <p>2. Employee stock option certificates are not assignable, except to the heirs of the recipients.</p> | <p>Article 11.1 Notwithstanding the provision of Article 8.7 Restricted Shares, the Company may, upon approval by a majority of the Directors at a meeting attended by two-thirds or more of the total number of the Directors, adopt</p> | <p>The Cayman Companies Act does not include specific provisions dealing with employee share option schemes / warrant schemes. The procedures for issuing employee stock option certificates or warrants and provisions dealing with whether such certificates or warrants are transferable should be dealt with in the employee stock</p> |

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| | <p>incentive programmes and may issue Shares or options, warrants or other similar instruments, to employees of the Company and its Subsidiaries. The rules and procedures governing such incentive programme(s) shall be in accordance with policies established by the board of Directors from time to time in accordance with the Statute, the Memorandum and the Articles. After the Company has acquired public company status, the foregoing matter shall be made in accordance with the Applicable Public Company Rules as applied to the Company.</p> <p>Article 11.2 Options, warrants or other similar instruments issued in accordance with Article 11.1 above are not transferable save by inheritance.</p> <p>Article 11.3 The Company may enter into relevant agreements with employees of the Company and the employees of its Subsidiaries in relation to the incentive programme approved pursuant to Article 11.1 above, whereby employees may subscribe, within a specific period of time, a specific number of the Shares. The terms and conditions of such agreements shall be no less restrictive on the relevant employee than the terms specified in the</p> | <p>option agreements / warrant agreement. It is noted that although Articles 11.1 to 11.4 of the Company's Articles of Association have been amended in accordance with the important matters for the shareholders' rights protection listed in the left, according to the Cayman law, if a restriction of the transfer of employee stock option certificates needs to be applied, the restriction shall be dealt with in the employee stock option agreements / warrant agreement.</p> |

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| | <p>applicable incentive programme.</p> <p>Article 11.4 Directors of the Company and its Subsidiaries shall not be eligible for the employee incentive programmes under Article 8.7 or this Article 11, provided that directors who are also employees of the Company or its Subsidiaries may participate in an employee incentive programme in their capacity as an employee (and not as a director of the Company or its Subsidiaries).</p> | |
| <p>1. The annual meeting shall be convened at least once every year within six months of the end of the fiscal year. Shareholders' meetings shall be convened by the board of directors.</p> <p>2. The articles of association may specify that shareholders' meetings may be held by video conference or other means announced by the competent authorities of the Company Act. However, due to natural disasters, events, or other force majeure, the competent authority of the Company Act may announce that a shareholders' meeting may be held by video conference or by its announcement within a period without adding the provisions in the articles of association.</p> <p>3. If a shareholders' meeting is held by video conference, the shareholders who participate in a video</p> | <p>Article 16.2 After the Company has acquired public company status, the Company shall hold a general meeting as its annual general meeting within six months following the end of each fiscal year and shall specify the meeting as such in the notices calling it. At these meetings, the report of the Directors (if any) shall be presented.</p> <p>Article 16.3 The Company shall hold an annual general meeting every year.</p> <p>Article 16.4 The general meetings shall be held at such time and place as the Directors shall decide provided that unless otherwise provided by the Statute or this Article 16.4, the general meetings shall be held in Taiwan in the event the Company has</p> | <p>1. Items 1, 6, 8 and 9 on the left are not different from the Company's Articles of Association.</p> <p>2. In order to comply with the amendment to Items 2 to 5 on the left, the Company intends to approve the amendment to Article 16.4 and the addition to Article 18.11 of the Company's Articles of Association at the 2022 Annual General Shareholders' Meeting.</p> <p>3. Article 16.8 of the Company's Articles of Association differs slightly from Item 7 on the left regarding the important matters for the shareholders' rights protection and is explained as follows. According to the Taiwan Stock Exchange's letter No. 0991701319 dated April 13, 1999: "Note: 2. (3) A foreign issuer shall provide in its articles of association the right of minority shareholders to request the convening of an extraordinary meeting of shareholders, provided that it does not violate the laws of the</p> |

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| <p>conference are deemed to be present in person.</p> <p>4. The conditions, procedures, and other matters to be followed by the Company in connection with the shareholders' meeting by video conference shall be in accordance with the regulations of the R.O.C. related to securities.</p> <p>5. The shareholders' meeting that is held in person shall be held in Taiwan. If a shareholders' meeting in person is held outside Taiwan, it shall be reported to the TSE for approval within two days after the resolution of the board of directors or the approval of the convening from the competent authority acquired by the shareholders.</p> <p>6. Shareholders holding 1% or more of the total issued shares may present to the company a proposal at a shareholders' meeting in written or digital notice. Other than the following situation, proposals proposed by shareholder(s) shall be included in the agenda by the board of directors where: (i) the proposal involves matters which cannot be resolved at a shareholders' meeting; (ii) the number of shares held by the shareholder is less than 1% of the total issued shares, (iii) the proposal is raised outside the deadline fixed for accepting such proposal; (iv) the proposal exceeds 300 words or includes more than one proposal. If the proposal is</p> | <p>acquired public company status. For general meetings to be held outside Taiwan, after the Company has acquired public company status, the Company shall apply with TWSE or TPEx to obtain its approval within two days after the board of Directors resolves to call a general meeting or within two days after the shareholder(s) obtain(s) the approval from competent authorities to convene the same. In addition, where a general meeting is to be held outside Taiwan, the Company shall engage a professional securities agent in Taiwan to handle the administration of such general meeting (including but not limited to the handling of the voting of proxies submitted by Members).</p> <p>Article 16.5 The board of Directors may call general meetings, and they shall on a Member's requisition pursuant to Article 16.6 proceed to convene an extraordinary general meeting of the Company.</p> <p>Article 16.6 Member(s) who are entitled to submit a Member's requisition as provided in the preceding Article 16.5 are Member(s) of the Company holding at the date of deposit of the requisition not less than 3% of the total number of the outstanding Shares at the</p> | <p>place of the foreign issuer's incorporation, and the part of the competent authority that permits the convening may be deleted." Therefore, Article 16.8 of the Company's Articles of Association stipulates that "If the board of Directors do not within fifteen days from the date of the delivery of the requisition dispatch the notice of an extraordinary general meeting, the requisitionists may themselves convene an extraordinary general meeting in accordance with the Applicable Public Company Rules."</p> |

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| <p>to urge the company to promote public interest or to fulfil its social responsibilities, the Board may include the proposal.</p> <p>7. Shareholders continuously holding 3% or more of the total issued shares for a year or longer may submit a proposal to the board of directors, setting forth the subjects for discussion and reasons, to request convention of a special shareholders' meeting. If the board of directors fails to give a notice for convening a special shareholders' meeting within 15 days of the submission, such shareholders may convene a special meeting after obtaining approval from the competent authorities.</p> <p>8. Shareholders continuously holding 50% or more of the total number of outstanding shares of a company for a period of three months or a longer time may convene an extraordinary shareholders' meeting. The calculation of the holding period and number of shares shall be determined based on the shareholding on the book closing date.</p> <p>9. The following matters shall be specified in the notice for convening a shareholders' meeting and may not be proposed by ad hoc motions; the essential contents may be posted on the website designated by the competent authority in charge of securities affairs or the company, and such website shall be indicated in the notice:</p> | <p>time of requisition and whose Shares shall have been held by such Member(s) for at least one year.</p> <p>Article 16.7 The requisition must state in writing the matters to be discussed at the extraordinary general meeting and the reason therefor and must be signed by the requisitionists and duly delivered to the Company, and may consist of several documents in like form each signed by one or more requisitionists.</p> <p>Article 16.8 If the board of Directors do not within fifteen days from the date of the delivery of the requisition dispatch the notice of an extraordinary general meeting, the requisitionists may themselves convene an extraordinary general meeting in accordance with the Applicable Public Company Rules.</p> <p>Article 16.9 Member(s) holding more than 50% of the total number of the outstanding Shares for at least three months may themselves convene an extraordinary general meeting. The period and the number of Shares held shall be determined based on the shareholding on the book closing date.</p> <p>Article 17.5 Matters pertaining to (a) election or discharge of</p> | |

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| <p>(1) Election or discharge of directors and supervisors;</p> <p>(2) Amendment to the articles of association;</p> <p>(3) reduction of capital</p> <p>(4) application for the approval of ceasing its status as a public company</p> <p>(5) Winding-up, merger, share swap or spin-off;</p> <p>(6) Entering into, amending or terminating an agreement for leasing its entire business, entrusting its business operation or conduct regularly joint operation with others;</p> <p>(7) Transfer of its business or property in whole or in part;</p> <p>(8) Acceptance of all the business or property from others which will have a significant impact on the company's operations;</p> <p>(9) Private placement of equity-based securities;</p> <p>(10) Waiver of non-competition prohibitions on directors;</p> <p>(11) Distribution of dividends and bonuses in whole or in part by means of issuing new shares;</p> <p>(12) Distribution of legal reserve fund from profit and capital reserve from share premium or gift, by means of issuing new shares or by cash to existing shareholders.</p> | <p>Directors,</p> <p>(b) alteration of the Articles,</p> <p>(c) reduction of capital,</p> <p>(d) application of ceasing public offering,</p> <p>(e) (i) dissolution, Merger (other than a Short-form Merger), Share Exchange (other than a Short-form Share Exchange) or Spin-off (other than a Short-form Spin-off), (ii) entering into, amending, or terminating any contract for lease of the Company's business in whole, or the delegation of management of the Company's business to others or the regular joint operation of the Company with others, (iii) transfer of the whole or any material part of the business or assets of the Company, (iv) acceptance of the transfer of the whole business or assets of another person, which has a material effect on the business operation of the Company, and</p> <p>(f) ratification of an action by Director(s) who engage(s) in business for himself/herself/itself or on behalf of another person that is within the scope of the Company's business,</p> <p>(g) distribution of the whole or a part of the dividend and bonus of the Company in the form of new Shares,</p> <p>(h) distribution of the legal reserve and the Capital Reserve derived from the issuance of new shares at a premium or from endowments received by the Company to shareholders in the form of</p> | |

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| | <p>new Shares or cash, and (i) the Private Placement of any equity-type securities issued by the Company, shall be indicated in the notice of general meeting, with a summary of the material content to be discussed, and shall not be brought up as an ad hoc motion, and the material content may be placed on the website specified by the R.O.C. securities competent authorities or the Company, t and the website address shall be indicated in the notice.</p> <p>Article 18.9 Subject to the Applicable Public Company Rules, Member(s) holding 1% or more of the total number of issued, allotted, and outstanding Shares immediately prior to the relevant closing of the Register of Members may propose to the Company proposal(s) for discussion at an annual general meeting in writing or by means of electronic transmission to the extent and in accordance with the rules and procedures of general meetings proposed by the Directors and approved by an Ordinary Resolution. Other than the following situation, proposals proposed by Member(s) shall be included in the agenda by the board of Directors where (a) the proposing Member(s) holds less than 1% of the total number of outstanding Shares, (b)</p> | |

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| | <p>where the matter of such proposal may not be resolved by a general meeting, (c) the proposing Member has proposed more than one proposal, (d) such proposal contains more than 300 words, or (e) such proposal is submitted past the deadline announced by the Company for accepting the Member's proposals; provided that the proposal(s) proposed by Member(s) is intended to improve the public interest or fulfil its social responsibilities of the Company, the board of Director may include such proposal(s) in the agenda.</p> <p>Article 35 Subject to Article 14.2(d), the Directors may capitalise any sum standing to the credit of any of the Company's reserve accounts (including share premium account and capital redemption reserve fund) or any sum standing to the credit of profit and loss account or otherwise available for distribution and to appropriate such sum to Members in the proportions in which such sum would have been divisible amongst them had the same been a distribution of profits by way of Dividend and to apply such sum on their behalf in paying up in full unissued Shares for allotment and distribution credited as fully paid-up to and amongst them in the proportion aforesaid. In</p> | |

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| | <p>such event the Directors shall do all acts and things required to give effect to such capitalisation, with full power to the Directors to make such provisions as they think fit such that Shares shall not become distributable in fractions (including provisions whereby the benefit of fractional entitlements accrue to the Company rather than to the Members concerned). The Directors may authorise any person to enter on behalf of all of the Members interested into an agreement with the Company providing for such capitalisation and matters incidental thereto and any agreement made under such authority shall be effective and binding on all concerned.</p> | |
| <p>1. The Company shall include electronic means as one way to exercise voting rights when holding shareholders' meetings.</p> <p>2. The method for exercising voting right in writing or via electronic transmission shall be specified in the notice for convening the shareholders' meeting. A shareholder exercising his voting rights in writing or via electronic transmission shall be deemed to have attended the shareholders' meeting in person, but shall be deemed to have waived his voting rights in respect of any ad hoc motions and amendments to the original proposals at the shareholders' meeting. If a</p> | <p>Article 19.6 Before the Company has acquired public company status, the Directors may determine in their discretion that the voting power of a member at such general meeting may be exercised by way of a written ballot or by way of an electronic transmission. If a general meeting is to be held in Taiwan after the Company has acquired public company status, when convening a general meeting, the Company shall permit the Members to vote by way of an electronic transmission as one of the methods of exercising voting power as well as voting by way of a written ballot. If a general meeting</p> | <p>1. Shareholders may not exercise their voting rights in a shareholder meeting in writing or by way of electronic transmission. They may, however, appoint a proxy to vote their shares at a meeting and such a proxy may be appointed in writing or by way of electronic transmission if the articles of association of the company so provide.</p> <p>2. A shareholder exercising his voting rights by proxy may not be deemed to have attended the shareholder meeting in person.</p> <p>3. The articles of association of the company may be amended to include provisions dealing with delivery of proxies to the company.</p> <p>4. There is no specific statutory provision under the Cayman Companies Act regarding</p> |

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| <p>shareholder exercises his/her/its voting rights in writing or via electronic transmission, his/her/its vote shall be delivered to the company two days prior to the date of the shareholders' meeting; if two or more votes are delivered to the company, the first vote received shall prevail; unless an explicit statement to revoke the previous vote is made with the vote which comes later.</p> <p>3. If a shareholder has exercised his/her/its voting rights in writing or via electronic transmission, but then decides to attend the shareholders' meeting in person, such shareholder shall, at least two days prior to the date of the shareholders' meeting, revoke his/her/its vote by the same method which the shareholder had previously used to exercise his/her/its voting rights. In the event the shareholder does not revoke such exercise of voting rights in time, the exercise of voting rights in writing or via electronic transmission shall prevail.</p> <p>4. If a shareholder exercises his/her/its voting rights in writing or via electronic transmission and executes an instrument appointing a proxy to attend a shareholders' meeting on his/her/its behalf, then the voting rights exercised by the proxy shall prevail.</p> | <p>is to be held outside of the R.O.C., the methods by which Members are permitted to exercise their voting power shall include voting by way of a written ballot or voting by way of an electronic transmission. Where these methods of exercising voting power are to be available at a general meeting, they shall be described in the general meeting notice given to the Members in respect of the relevant general meeting, and the Member voting by written ballot or electronic transmission shall submit such vote to the Company two days prior to the date of the relevant general meeting. In case that there are duplicate submissions, the first received by the Company shall prevail. A Member exercising voting power by way of a written ballot or by way of an electronic transmission shall be deemed to have appointed the chairman of the general meeting as his proxy to exercise his or her voting right at such general meeting in accordance with the instructions stipulated in the written or electronic document; provided, however, that such appointment shall be deemed not to constitute the appointment of a proxy for the purposes of the Applicable Public Company Rules. The chairman, acting as agent of a Member, shall not exercise the voting right of such Member in any way</p> | <p>revocation of proxies by a member. Under common law principles, the vote of a member attending in person at a shareholder meeting will always prevail, regardless of any contrary provision in the articles of association of the company. However, the articles of association of the company may include provisions relating to the revocation of proxy otherwise than by the relevant member's attendance at the shareholder meeting in person.</p> <p>5. See paragraph 1 above.</p> <p>6. However, it should be noted that Article 19.6 of the Articles of Association provides that "A Member exercising voting power by way of a written ballot or by way of an electronic transmission shall be deemed to have appointed the chairman of the general meeting as his proxy to exercise his or her voting right at such general meeting in accordance with the instructions stipulated in the written or electronic document; provided, however, that such appointment shall be deemed not to constitute the appointment of a proxy for the purposes of the Applicable Public Company Rules." Although Cayman law does not consider a shareholder who exercises their voting rights in this manner to be recognized as physically present at a shareholders' meeting, such shareholder shall be entitled to substantially all the rights of a shareholder who exercises their voting rights in writing or electronically in accordance with the laws of the R.O.C., which shall not affect the rights of the shareholders of the Company.</p> <p>7. As the amendment to the</p> |

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| | <p>not stipulated in the written or electronic document, nor exercise any voting right in respect of any resolution revised at the meeting or any impromptu proposal at the meeting. A Member voting in such manner shall be deemed to have waived notice of, and the right to vote in regard to, any ad hoc resolution or amendment to the original agenda items to be resolved at the said general meeting. Should the chairman not observe the instructions of a Member in exercising such Member's voting right in respect of any resolution, the Shares held by such Member shall not be included in the calculation of votes in respect of such resolution but shall nevertheless be included in the calculation of quorum for the meeting.</p> <p>Article 19.7 A Member who has submitted a vote by written ballot or electronic transmission pursuant to Article 19.6 may, at least two days prior to the date of the relevant general meeting, revoke such vote by written ballot or electronic transmission and such revocation shall constitute a revocation of the proxy deemed to be given to the chairman of the general meeting pursuant to Article 19.6. If a Member who has submitted a written ballot or electronic transmission pursuant to Article 19.6 does not</p> | <p>important matters for the shareholders' rights protection listed on the left has resulted in a slight difference from the current Article 19.6 of the Company's Articles of Association, the Company intends to approve the amendment to Article 19.6 of the Company's Articles of Association at the 2022 Annual General Meeting of Shareholders.</p> |

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| | <p>submit such a revocation before the prescribed time, the proxy deemed to be given to the chairman of the general meeting pursuant to Article 19.6 shall not be revoked and the chairman of the general meeting shall exercise the voting right of such Member in accordance with that proxy.</p> <p>Article 19.8 If, subsequent to submitting a written ballot or electronic transmission pursuant to Article 19.6, a Member submits a proxy appointing a person of the general meeting as his proxy to attend the relevant general meeting on his behalf, then the subsequent appointment of that person as his proxy shall be deemed to be a revocation of such Member's deemed appointment of the chairman of the general meeting as his proxy pursuant to Article 19.6.</p> <p>Article 20.7 In the event that a Member exercises his/her/its voting power by means of a written ballot or by means of electronic transmission and has also authorized a proxy to attend a general meeting, then the voting power exercised by the proxy at the general meeting shall prevail. In the event that any Member who has authorised a proxy to attend a general meeting later intends to attend the general meeting in person or to exercise his/her/its</p> | |

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| | <p>voting power by way of a written ballot or electronic transmission, he/she/it shall, at least two days prior to such general meeting, serve the Company with a separate notice revoking his/her/its previous appointment of proxy. Votes by way of proxy shall remain valid if the relevant Member fails to revoke his appointment of such proxy before the prescribed time.</p> | |
| <p>If a shareholders' meeting is convened or a resolution is passed in violation of any law or regulations or the articles of association, a shareholder may file a petition against the company with the Taipei District Court for revocation of such resolution.</p> | <p>Article 18.7 Nothing in the Articles shall prevent any Member from issuing proceedings in a court of competent jurisdiction for an appropriate remedy in connection with the improper convening of any general meeting or the improper passage of any resolution. The Taipei District Court, R.O.C., shall be the court of the first instance for adjudicating any disputes arising out of the foregoing.</p> | <ol style="list-style-type: none"> 1. It is doubtful whether that provision will be enforceable if it is incorporated into the articles of association of the company, because the courts of the Cayman Islands are unlikely to recognise and enforce foreign judgment which is not a monetary judgment, without any re-examination of merits of the underlying dispute. 2. Article 18.7 of the Company's Articles of Association differs slightly from the important matters for the shareholders' rights protection listed on the left. The important matters for the shareholders' rights protections listed on the left are provisions for the statutory revocation of shareholders' rights of appeal, the legal effect of which cannot be achieved by the provisions of the Articles of Association and requires a legal provision granting shareholders the right of revocation. Although Article 18.7 of the Company's Articles of Association differs slightly from the provisions on the important matters for the shareholders' rights protection and listed on the left, the Company's Articles of |

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| | | <p>Association do not restrict the shareholders' right to file lawsuits or remedies in court if the convening procedure or the resolution method of a shareholders' meeting violates the law or the Articles of Association.</p> <p>It is up to the court (whether in the R.O.C. or the Cayman Islands or any other jurisdictional court) to determine whether the applicable law gives the shareholders the right to dismiss the lawsuit and decide according to its jurisdiction.</p> <p>These differences are due to the nature of the shareholders' right to revoke. However, the Company's Articles of Association do not limit the shareholders' rights to bring actions or remedies in court.</p> |
| <p>The following resolutions shall be adopted by a majority vote of more than half of the shareholders representing two-thirds or more of the total issued shares at a shareholder's meeting. If the total number of shares represented by the shareholders present at the shareholders' meeting is less than two-thirds of the total issued shares, a resolution may be adopted by a majority vote of two-thirds or more of the attending shareholders who represent more than half of the total issued shares:</p> <p>1. That (i) an agreement for leasing the entire business, entrusting the business or conducting regularly joint operation with others be signed, amended or terminated; (ii) the business or property be transferred in whole or in part; or (iii) all</p> | <p>Article 1.1 "Special Resolution" means a resolution passed by a majority of not less than two-thirds of votes cast by such Members as, being entitled so to do, vote in person or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as special resolution has been duly given.</p> <p>Article 12.1 If at any time the share capital of the Company is divided into different classes of Shares, the rights attached to any class, unless otherwise provided by the terms of issue of the Shares of that class, may, whether or not the Company is</p> | <p>1. Section 60 of the Cayman Companies Act provides that a resolution is a "special resolution (a "Special Resolution") when it has been passed by a majority of at least two-thirds of such members as, being entitled to do so, vote in person or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a Special Resolution has been duly given, except that the articles of association may be amended to specify that the required majority shall be a number greater than two-thirds, and may additionally so provide that any such majority (being not less than two-thirds) may differ as between matters required to be approved by a Special Resolution. Written resolutions signed by all the members entitled to vote for the time being of the company may</p> |

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| <p>the business or property be acquired from others, which will have a significant impact on the company's operations;</p> <p>2. That the articles of association be amended;</p> <p>3. If the amendment of the articles of association may prejudice the rights of preferred shareholders, a resolution adopted by a preferred shareholders' meeting will be required;</p> <p>4. That dividends and bonuses be distributed by means of rights issue in whole or in part;</p> <p>5. That the company be wound up, merged or spun off; and</p> <p>6. Share Swap</p> | <p>being wound up, be varied with the sanction of a Special Resolution passed at a general meeting of the holders of the Shares of that class. Notwithstanding the foregoing, if any modification or alteration in the Articles is prejudicial to the preferential rights of any class of Shares, such modification or alteration shall be adopted by a Special Resolution and shall also be adopted by a Special Resolution passed at a separate meeting of holders of that class of Shares.</p> <p>Article 14.1 Subject to the provisions of the Statute, the Applicable Public Company Rules and the Articles, the Company may by Special Resolution:</p> <p>(b) alter or add to these Articles;</p> <p>(d) reduce its share capital and any capital redemption reserve fund; and</p> <p>Article 14.2 Subject to the provisions of the Statute, the Applicable Public Company Rules, the Articles and unless otherwise provided under Article 14.6, the Company shall by a Supermajority Resolution:</p> <p>(e) distribute its Capital Reserve, in whole or in part, by issuing new shares which shall be distributable as dividend shares to its original shareholders in proportion to the number of shares being held by each of them or by cash in</p> | <p>take effect as Special Resolutions if this is authorised by the articles of association of the company. In computing the majority regarding a Special Resolution when a poll is demanded, regard shall be had to the number of votes to which each member is entitled by the articles of association of the company.</p> <p>2. Matters that are subject to the sanction of a Special Resolution under the Cayman Companies Act include, without limitation:</p> <p>(i) alteration or addition to the articles of association of the company (section 24); (ii) alteration or addition to the memorandum with respect to any objects, powers or other matters specified therein (section 10); (iii) voluntary winding up for reasons other than its inability to pay its debts when they fall due (section 90 and section 116); (iv) sanctioning a merger or consolidation (section 233).</p> <p>Matters that require a Special Resolution under the Cayman Companies Act cannot be passed by a lesser majority.</p> <p>3. The Cayman Companies Act does not provide that a specific majority is required for the other matters listed in the first column, but the articles of association may be amended to include such a requirement.</p> <p>Some of the provisions of the Company's Articles of Association differ slightly from the important matters for the protection of shareholders' rights listed on the left, as follows.</p> <p>1. Articles of Association Article 1.1 (1) Articles of Association Article 1.1 of the Articles of Association stipulates that</p> |

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| | <p>accordance with Article 34.2 hereunder.</p> <p>(f) effect any Merger (other than a Short-form Merger) or Spin-off (other than a Short-form Spin-off) provided that any Merger which falls within the definition of “merger and/or consolidation” under the Statute shall also be subject to the requirements of the Statute;</p> <p>(g) enter into, amend, or terminate any agreement for lease of the Company's whole business, or for entrusted business, or for frequent joint operation with others;</p> <p>(h) transfer its business or assets, in whole or in any essential part, provided that, the foregoing does not apply where such transfer is pursuant to the dissolution of the Company;</p> <p>Article 14.3 Subject to the provisions of the Statute, the Articles, and the Applicable Public Company Rules, with regard to the dissolution procedures of the Company, the Company shall pass</p> <p>(a) a Supermajority Resolution, if the Company resolves that it be wound up voluntarily because it is unable to pay its debts as they fall due; or</p> <p>(b) a Special Resolution, if the Company resolves that it be wound up voluntarily for reasons other than the reason stated in Article 14.3(a) above.</p> | <p>“Special Resolution” means a resolution passed by a majority of not less than two-thirds of votes cast by such Members as, being entitled so to do, vote in person or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as Special Resolution has been duly given. Matters subject to Special Resolution shall, in accordance with the Cayman Companies Act, include, but not be limited to: (i) amendments or additions to the Articles of Association (Article 24 of the Cayman Companies Act); (ii) amendments or additions to the Memorandum of Association relating to the objects, powers or other matters expressly stated therein (Article 10 of the Cayman Companies Act); (iii) voluntary dissolution for reasons other than the inability to pay its debts as they become due (Articles 90 and 116 of the Cayman Companies Act). (iii) voluntary dissolution for reasons other than the inability to pay its debts as they become due (Articles 90 and 116 of the Cayman Companies Act). (iv) merger or consolidation with another company (Article 233 of the Cayman Companies Act). Moreover, Article 18.1 of the Articles of Association stipulated that “No business shall be transacted at any general meeting unless a quorum is present. Unless otherwise provided in the Statute, the Articles and the Applicable Public Company Rules, Members present in person or by proxy, representing more than one-half of the total outstanding Shares, shall</p> |

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| | | <p>constitute a quorum for any general meeting.” In other words, for a Special Resolution to be made, at least two-thirds of the votes cast by the shareholders present in person or by proxy representing at least one-half of the total number of issued shares of the company must exercise their voting rights and approve it.</p> <p>(2) Reasons for Differences</p> <p>Special Resolutions are required by the Cayman Companies Act, and under the Cayman Companies Act, matters that should be resolved by Special Resolution should be determined by the shareholders by Special Resolution in accordance with the Articles of Association, and no resolution should be made for such matters below the threshold for Special Resolutions under the Cayman Companies Act. Therefore, among the issues prescribed in the Articles of Association as “Special; Resolution” for the important matters for the shareholders' rights protection, the matters that are subject to Special Resolution under the Cayman Companies Act shall remain as “Special Resolution” in the Articles of Association, and the other issues prescribed as “Supermajority Resolution” for the important matters for the shareholders' rights protection shall be added to the Articles of Association.</p> <p>2. Articles of Association Article 14.3.</p> <p>(1) Articles of Association</p> <p>Article 14.3 of the Articles of Association" stipulates that “Subject to the provisions of the Statute, the Articles, and the Applicable Public Company Rules, with regard to the dissolution procedures of the</p> |

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| | | <p>Company, the Company shall pass</p> <p>(a) a Supermajority Resolution, if the Company resolves that it be wound up voluntarily because it is unable to pay its debts as they fall due; or</p> <p>(b) a Special Resolution, if the Company resolves that it be wound up voluntarily for reasons other than the reason stated in Article 14.3(a) above.”</p> <p>(2) Reasons for Difference.</p> <p>Under the Cayman Companies Act, if a company resolves to voluntarily dissolve for reasons other than its inability to pay its debts as they fall due, a Special Resolution is required, whereas in the case of a company resolving to voluntarily dissolve for its inability to pay its debts as they fall due, only an ordinary resolution is required. It is clear from the above that these differences are due to Cayman law. Therefore, the Articles of Association provide for a Supermajority Resolution for “voluntary dissolution of the Company because of its inability to pay its debts as they fall due”, and the matters other than those set forth in Article 14.3(a) are reserved as “Special Resolutions” under the Cayman Companies Act.</p> |
| <p>Compensation payable to directors, if not prescribed in the articles of association, shall be determined at a shareholders' meeting and may not be recognized retroactively.</p> | <p>Article 30.1</p> <p>A Director (except for Independent Director) may hold any other office or place of profit under the Company in conjunction with his office of Director for such period and on such terms as to remuneration and otherwise as the compensation committee shall present its</p> | <p>There is no specific statutory provision under the Cayman Companies Act regarding the determination of the remuneration of directors, but the articles of association of the company may be amended to include such provisions.</p> <p>Although the Company's Articles of Association do not provide for the compensation of directors or stipulate that the shareholders'</p> |

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| | <p>recommendations to the board of Directors for discussion and approval.</p> <p>Article 30.2 The Directors may be paid remuneration only in cash. The amount of such remuneration shall be recommended by the compensation committee and determined by the board of Directors and take into account the extent and value of the services provided for the management of the Company and the standards of the industry in the R.O.C. and overseas. The Directors shall also be entitled to be paid all travelling, hotel and other expenses properly incurred by them in connection with their attendance at meetings of the board of Directors or committees of Directors, or general meetings of the Company, or separate meetings of the holders of any class of Shares or debentures of the Company, or otherwise in connection with the business of the Company, or to receive salaries in respect of their service as Directors as may be recommended by the compensation committee and determined by the board of Directors, or a combination partly of one such method and partly another, provided that any such determination shall be in accordance with the Applicable Public Company Rules.</p> | <p>meeting should agree upon the compensation, the Company's Board of Directors has established a compensation committee in accordance with the meaning of the Ministry of Economic Affairs' Interpretation No. 09302030870 dated March 8, 2004, and the “Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Taiwan Stock Exchange or the Taipei Exchange”, so the difference between the Company’s Articles of Association and the important matters for the shareholders’ rights protection listed in the left should not have adverse effect on the Company's shareholders' rights.</p> |

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| | <p>Article 32.10</p> <p>The Directors shall establish a compensation committee in accordance with the Applicable Public Company Rules. The number of members of the compensation committee, professional qualifications, restrictions on shareholdings and position that a member of the compensation committee may concurrently hold, and assessment of independence with respect to the members of the compensation committee shall comply with the Applicable Public Company Rules. The compensation committee shall comprise of no less than three members, one of which shall be appointed as convener of the compensation committee. The rules and procedures for convening any meeting of the compensation committee shall comply with policies proposed by the members of the compensation committee and approved by the Directors from time to time, provided that the rules and procedures approved by the Directors shall be in accordance with the Statute, the Memorandum, the Articles and the Applicable Public Company Rules and any directions of the FSC or TWSE or TPEx (as applicable). The Directors shall, by a resolution, adopt a charter for the compensation committee in accordance with these Articles and the Applicable</p> | |

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| | <p>Public Company Rules.</p> <p>Article 32.11 The compensation referred in the preceding Article shall include the compensation, salary, stock options and other incentive payment to the Directors and managers of the Company. Unless otherwise specified by the Applicable Public Company Rules, the managers of the Company for the purposes of this Article 32.11 shall mean executive officers as defined by the rules and procedures governing the compensation committee.</p> | |
| <p>If a director, in the course of performing his duties, has committed any act resulting in material damages to the company or in serious violation of applicable laws and regulations, but not discharged by a resolution of the shareholders' meeting, the shareholder(s) holding 3% or more of the total number of outstanding shares of the company may, within 30 days after that shareholders' meeting, file a petition with the Taipei District Court for discharging of such director.</p> | <p>Article 28.2 In the event of any of the following events having occurred in relation to any Director, the office of such Director shall be vacated automatically: (m)subject to the provisions of the Statute, and the Articles or the Applicable Public Company Rules, in the event that he/she/it has, in the course of performing his/her/its duties, committed any act resulting in material damage to the Company or in serious violation of applicable laws and/or regulations or the Memorandum and the Articles, but has not been removed by the Company pursuant to a Supermajority Resolution vote, then any Member(s) holding 3% or more of the total number of issued, outstanding Shares shall have the right, within thirty days after that general</p> | <ol style="list-style-type: none"> 1. There is no specific statutory provision under the Cayman Companies Act which allows minority shareholders to apply to the courts in the Cayman Islands to remove a director. 2. In general, the removal procedure is set out in the articles of association of the company and usually approval from shareholders by way of an ordinary resolution is required. 3. Based on established case law regarding the remedies of an aggrieved shareholder, the proper plaintiff in an action in respect of a wrong alleged to be done to a company is, prima facie, the company itself, not an individual shareholder or a group of minority shareholders. There are only a few exceptions to this rule, one of which is that where what has been done amounts to a fraud on the minority and the wrongdoers are themselves in control of the company. 4. It is doubtful whether that provision will be enforceable if it |

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| | <p>meeting, to petition any competent court for the removal of such Director, at the Company's expense and such Director shall be removed upon the final judgement by such court. For clarification, if a relevant court has competent jurisdiction to adjudicate all of the foregoing matters in a single or a series of proceedings, then, for the purpose of this paragraph (i), final judgement shall be given by such competent court.</p> | <p>is incorporated into the articles of association of the company, because the courts of the Cayman Islands are unlikely to recognise and enforce foreign judgment which is not a monetary judgment, without any re-examination of merits of the underlying dispute. A director can be removed according to the procedures set out in the articles of association of the company. Article 28.2(m) of the Company's Articles of Incorporation differs slightly from the provisions listed on the left, as described below.</p> <p>(1) Articles of Association</p> <p>Article 28.2 of the Articles of Association stipulated that “ In the event of any of the following events having occurred in relation to any Director, the office of such Director shall be vacated automatically:(m) subject to the provisions of the Statute, and the Articles or the Applicable Public Company Rules, in the event that he/she/it has, in the course of performing his/her/its duties, committed any act resulting in material damage to the Company or in serious violation of applicable laws and/or regulations or the Memorandum and the Articles, but has not been removed by the Company pursuant to a Supermajority Resolution vote, then any Member(s) holding 3% or more of the total number of issued, outstanding Shares shall have the right, within thirty days after that general meeting, to petition any competent court for the removal of such Director, at the Company's expense and such Director shall be removed upon</p> |

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| | | <p>the final judgement by such court. For clarification, if a relevant court has competent jurisdiction to adjudicate all of the foregoing matters in a single or a series of proceedings, then, for the purpose of this paragraph (i), final judgement shall be given by such competent court.” is slightly different from the important matters for shareholders' rights protection listed on the left.</p> <p>(2) Reasons for difference</p> <p>Since the Cayman courts do not recognize and enforce foreign judgments without substantive adjudication of the dispute which is not a monetary judgment Therefore, even if the important matters for the shareholders' rights protection listed on the left is stipulated in the Articles of Association, the judgment of the Taipei District Court on the dismissal of a director may not be recognized and enforced by the Cayman Court. Because of this, we hereby stipulate in the Articles of Association that shareholders should file a complaint with a court of competent jurisdiction. These differences are due to the recognition and enforcement of foreign judgments under Cayman law, and the shareholders may still dismiss the directors in accordance with the Articles of Association.</p> |
| <p>1. Supervisors shall be elected by the shareholders' meeting, and at least one supervisor must reside in Taiwan.</p> <p>2. The tenure of a supervisor shall not exceed three years, but he may be eligible for</p> | <p>Article 32.6</p> <p>Notwithstanding anything to the contrary contained in Articles 32.1 to 32.11, unless otherwise permitted by the Applicable Public Company Rules, the Directors shall establish an</p> | <p>There is no equivalent concept of "Supervisor" of a company under the Cayman Companies Act and it is not clear what the effect would be of including provisions purporting to create a role of Supervisor in the articles of association of the company.</p> |

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| <p>re-election.</p> <p>3. If all supervisors have been discharged from their office, the board of directors must convene a special shareholders' meeting to elect new supervisors within 60 days.</p> <p>4. Supervisors shall supervise the business operations of the company and may at any time or from time to time investigate the business and financial conditions of the company, examine, transcribe and copy the accounting books and documents, and request the board of directors or managerial personnel to make reports thereon.</p> <p>5. Supervisors shall audit the statements and records prepared by the board of directors for submission to the shareholders' meeting and shall report their findings and opinions at the shareholders' meeting.</p> <p>6. Supervisors may appoint, on behalf of the company, certified public accountants and legal counsels to assist on the performance of duties.</p> <p>7. Supervisors may attend the board meetings and express their opinions. If the board of directors or any director, in the course of performing his duties, commits any act in violation of applicable laws, regulations, the articles of association or resolutions of the shareholders' meeting, supervisors shall notify the board of directors or a director to cease such act.</p> <p>8. Supervisors may</p> | <p>audit committee comprised of all of the Independent Directors, one of whom shall be the chairman, and at least one of whom shall have accounting or financial expertise. A resolution of the audit committee shall be passed by one-half or more of all members of such committee. The rules and procedures of the audit committee shall be in accordance with policies proposed by the members of the audit committee and passed by the Directors from time to time, which shall be in accordance with the Statute, the Memorandum, the Articles and the Applicable Public Company Rules and the instruction of the FSC or TWSE or TPEx (as applicable), if any. The Directors shall, by a resolution, adopt a charter for the audit committee in accordance with these Articles and the Applicable Public Company Rules.</p> | <p>In accordance with the first paragraph of Article 28-4 of Taiwan Stock Exchange Corporation Rules Governing Review of Securities Listings, "A foreign issuer shall establish an audit committee". The Company has already established an audit committee consisting of all independent directors (Article 32.6 of the Articles of Association), so there is no need to establish supervisors.</p> |

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| <p>independently and individually exercise their supervision power.</p> <p>9. Supervisors shall not be concurrently a director, a managerial officer or employee of the company.</p> | | |
| <p>1. One or more shareholders continuously holding 13% or more of the total issued shares for six months a year or longer may request, in written, the supervisors to file a petition with the Taipei District Court against the directors for and on behalf of the Company.</p> <p>2. If the supervisors fail to file a petition within thirty days after the shareholders' request, such shareholders may file a petition with the Taipei District Court for and on behalf of the Company.</p> <p>3. The supervisors or independent directors of the audit committee may convene a general meeting in the event that the board of directors fails or cannot convene a general meeting, or for the benefit of the company when necessary.</p> | <p>Article 16.10 Pursuant to the Applicable Public Company Rules, the Independent Director of the Audit Committee may convene a general meeting in the event that the board of Directors fails or cannot convene a general meeting, or for the benefit of the Company when necessary.</p> <p>Article 25.6 Any Member(s) holding 1% or more of the Company's issued Shares for at least 6 months may in writing request the Independent Directors of the Audit Committee to bring action against the Directors on behalf of the Company in a court of competent jurisdiction as the court of first instance. If the Independent Directors fail to bring such action within thirty days after the request by the Member, such Member may bring the action in a court of competent jurisdiction as the court of first instance in the name of the Company.</p> | <p>1. There is no equivalent concept of "Supervisor" of a company under the Cayman Companies Act and it is not clear what the effect would be of including provisions purporting to create a role of Supervisor in the articles of association of the company.</p> <p>2. Based on established case law regarding the remedies of an aggrieved shareholder, the proper plaintiff in an action in respect of a wrong alleged to be done to a company is, prima facie, the company itself, not an individual shareholder or a group of minority shareholders. There are only a few exceptions to this rule, one of which is that where what has been done amounts to a fraud on the minority and the wrongdoers are themselves in control of the company.</p> <p>3. It is doubtful whether that provision will be enforceable if it is incorporated into the articles of association of the company, because the courts of the Cayman Islands are unlikely to recognise and enforce foreign judgment which is not a monetary judgment, without any re-examination of merits of the underlying dispute.</p> <p>4. As the amendments to the important matters for the shareholders' rights protection listed on the left have slight differences from the existing Article 16.10 of the Company's Articles of Association, the Company intends to approve the</p> |

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| | | deletion of Article 16.10 of the Company's Articles of Association at the 2022 Annual General Meeting of Shareholders. |
| If a director or a supervisor (if applicable) of the company pledges more than 50% of the shares being held by him/her/it at the time when he/she/it was elected ("Original Shares"), (i) the voting rights associated with the pledged shares that are in excess of 50% of the Original Shares will be prohibited from being exercised; and (ii) the pledged shares for which voting right cannot be exercised as described above shall not be counted towards the number of votes of shareholders present at a shareholders' meeting. | Article 24.3 If a Director creates or has created security over any Shares held by such Director, such Director shall notify the Company of such security. If at any time the number of the pledged Shares held by a Director exceeds half of the Shares held by such Director at the time of his appointment, then the voting rights attached to the Shares held by such Director at such time shall be reduced, such that the Shares over which security has been created which are in excess of half of the Shares held by such Director at the date of his appointment shall not carry voting rights and shall not be counted in the number of votes casted by the Member at a general meeting. | There is no statutory provision under the Cayman Companies Act which provides that shares held by the company's directors shall have no voting rights, but the articles of association of the company can be amended to include such a provision. In accordance with the first paragraph of Article 28-4 of the Taiwan Stock Exchange Corporation Rules Governing Review of Securities Listings, "A foreign issuer shall establish an audit committee." The Company has already established an audit committee consisting of all independent directors, and there is no need to establish supervisors. Therefore, the provisions in the Articles of Association do not include the provisions related to supervisors. |
| Where a juristic person acts as a shareholder of a company, its authorized representative may also be elected as a director or supervisor of the company. If there is a plural number of such authorized representatives, each of them may be so elected, but such authorized representatives may not concurrently be selected or serve as the director or supervisor of the company. | Article 27.4 If a Member is corporate member, the authorised representative of such Member may be elected as Director. If such Member has more than one authorised representative, each of the authorised representatives of such Member may be elected as Directors respectively. | <ol style="list-style-type: none"> 1. There is no specific statutory provision under the Cayman Companies Act regarding the election of the authorised representative(s) of a corporate shareholder as a director, but the articles of association may be amended to include such provisions. 2. There is no equivalent concept of "Supervisor" of a company under the Cayman Companies Act and it is not clear what the effect would be of including provisions purporting to create a role of Supervisor in the articles of association of the |

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| | | <p>company.</p> <p>3. In accordance with the second paragraph of Article 28-4 of the Guidelines Governing the Listing of Marketable Securities on the Taiwan Stock Exchange, "A foreign issuer shall establish an audit committee." The Company has already established an audit committee consisting of all independent directors, and there is no need to establish supervisors. Therefore, the provisions in the Articles of Association do not include the provisions related to supervisors.</p> |
| <p>1. The director of company shall faithfully carry out their duties with care in conducting the business operation of the company; and if he/she/it has acted contrary to the above, shall be liable for the damages to be sustained by the company therefrom. In case such action is made for himself/herself/itself or on behalf of another person in violation of the provisions above, the meeting of shareholders may, by a resolution, consider the earnings in such an act as earnings of the company.</p> <p>2. If the director of company has, in the course of conducting the business operations, violated any provision of the applicable laws and/or regulations and thus caused damage to any other person, he/she/it shall be liable, jointly and severally with the</p> | <p>Article 26.5</p> <p>The Directors shall faithfully carry out their duties with care, and may be held liable for the damages suffered by the Company for any violation of such duty. The Company may by Ordinary Resolution of any general meeting, to the maximum extent legally permissible, demand the Directors, who violate such duties, to disgorge any profit realised from such violation and regard the profits realised as the profits of the Company as if such violation was made for the benefit of the Company.</p> <p>The Directors shall, to the maximum extent legally permissible, indemnify the Company for any losses or damages incurred by the Company if such loss or damage is incurred as a result of a Director's breach of laws or regulations in the course of performing his duties. The Directors and</p> | <p>1. There is no specific statutory provision under the Cayman Companies Act regarding directors' duties. Under common law principles, a director of a company owes to the company (a) fiduciary duties of loyalty, honesty and good faith and (b) duties of care, diligence and skill. The company may make a claim against a director which has breached such duties. In addition, if a director breaches his duties by making a secret profit, the company may seek for an account of those profits from the director.</p> <p>2. Under common law principles, a director in the course of conducting the business operations of the company is acting on behalf of the company, and his actions would be considered actions of the company. If such action causes damage to any third party, the company, and not the director, will be liable to the third for such action. A third party seeking to recover his loss will not be able to rely on</p> |

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| <p>company, for the damage to such other person.</p> <p>3. The managerial officer or supervisor of company acting within the scope of their duties, shall be in the same position with the director of the company.</p> | <p>the Company shall jointly and severally indemnify the third party for any losses or damages incurred by such third party if such loss or damage is incurred as a result of a Director's breach of laws or regulations in the course of performing his duties. The aforementioned duties of the Directors shall also apply to the managers of the Company.</p> | <p>an equivalent provision in the articles of association of the company and impose liability on the director, as a third party who is not a shareholder cannot enforce the provisions of the articles of association. Where the company is liable to the third party and if this was caused by a breach of duty by a director, the company can seek to be indemnified by the director for such loss.</p> <p>3. Managers generally do not have fiduciary duties to the company. Amending the articles of association of the company to include such a provision would not be enforceable against the manager as the manager is not a party to the articles of association. Such duties will need to be imposed on the manager contractually.</p> <p>4. With respect to Article 26.5 of the Articles of Association, if a director's breach of their duty of loyalty to the Company's business causes damage to another person, the person does not necessarily have a basis for the claim right against the director under the Cayman law or directly claim for compensation, even if it is stipulated in the Articles of Association that the director shall be jointly and severally liable for compensation with the Company, such basis for the claim right cannot be established.</p> <p>5. In addition, although Article 26.5 of the Articles of Association provides that such obligation shall also apply to the manager, it shall be contractually binding on the manager under Cayman law.</p> |

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| | | Accordingly, the Company and the manager shall enter into a specific contractual agreement to give effect to the manager's obligations concerning the important matters for the shareholders' rights protection hereunder. |

Audit Committee's Review Report

The Board of Directors prepares and submits the 2021 Business Report and Consolidated Financial Statements. The CPA firm of PricewaterhouseCoopers Taiwan was retained to audit the Company's Financial Statements and has issued an audit report relating to the Consolidated Financial Statements.

The aforementioned Business Report and Consolidated Financial Statements proposal have been reviewed by the Audit Committee and are considered to be conformed to requirements. Consequently, it is reported for review according to Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act.

Respectfully submitted

To the 2022 Annual General Shareholders' Meeting of TST Group Holding Ltd.

TST Group Holding Ltd.

Audit Committee Convener: LIEN, KING-BIAU

March 21, 2022

**TST GROUP HOLDING LTD. AND
SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT
DECEMBER 31, 2021 AND 2020**

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

TST GROUP HOLDING LTD.
DECEMBER 31, 2021 AND 2020 CONSOLIDATED FINANCIAL STATEMENTS
AND INDEPENDENT AUDITORS' REPORT
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INDEPENDENT AUDITORS' REPORT TRANSLATED FROM CHINESE

PWCR21000162

To the Board of Directors and Stockholders of TST Group Holding Ltd.

Opinion

We have audited the accompanying consolidated balance sheets of TST Group Holding Ltd. and subsidiaries (the “Group”) as at December 31, 2021 and 2020, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission.

Basis for opinion

We conducted our audits in accordance with the “Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants” and generally accepted auditing standards in the Republic of China. Our responsibilities under those standards are further described in the *Auditors’ responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the Norm of Professional Ethics for Certified Public Accountant in 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 the most significance in our audit of the Group's 2021 consolidated financial statements. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, we do not provide a separate opinion on these matters.

Key audit matters for the Group's 2021 consolidated financial statements are stated as follows:

Timing of revenue recognition

Description

Refer to Note 4(25) for a description of accounting policy on revenue recognition and Note 6(16) for details of revenue. The Group's major products are raw materials such as greige and coloured fabrics for the midstream and upstream of textile industry. The Group recognises revenue when the control of promised goods is transferred to the buyers. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the goods in accordance with the sales contract, or the Group has objective evidence that all criteria for acceptance have been satisfied. As the timing of revenue recognition involves management's judgement and the transaction amounts before and after the balance sheet date are significant to the financial statements, the timing of sales revenue recognition was identified as a key audit matter.

How our audit addressed the matter

We performed the following procedures in relation to the above key audit matter:

1. Obtained an understanding and evaluated the operating procedures and internal controls over sales revenue, and tested those controls.
2. Performed confirmation of accounts receivable and sales revenue in order to confirm that the amounts from counterparties are consistent with the records. If there are differences, tested the reconciling items made by the Company in order to confirm whether the significant differences have been adjusted.

3. Inspected sales revenue and verified supporting documents to ensure the timing of sales revenue recognition is appropriate.
4. Performed cut-off test of sales transactions around the fiscal year-end date and verified corroboration of sales revenue recognition to confirm whether revenue is recognised in the proper period.

Allowance for inventory valuation losses

Description

Refer to Note 4(11) for a description of the accounting policy on inventory valuation, Note 5(2) for accounting estimates and assumption uncertainty in relation to inventory valuation, and Note 6(5) for information on the allowance for inventory valuation losses. As of December 31, 2021, the balances of inventories and allowance for inventory valuation losses were NT\$1,589,837 thousand and NT\$31,886 thousand, respectively.

The Group is primarily engaged in the manufacturing and sales of cotton fabric in the textile industry. As the raw material prices of textile products fluctuate continuously and the market is highly competitive, there is a higher risk of incurring inventory valuation losses or having obsolete inventory. The Group's inventory is stated at the lower of cost or net realisable value. For inventory that is over a certain age, the loss is recognised based on the net realisable value.

The industry's raw material prices fluctuate continuously, and the net realisable value involves subjective judgement which results in a high degree of uncertainty when assessing obsolete or slow-moving inventories. As the inventory and allowance for inventory valuation losses are material to the financial statements, the assessment of allowance for inventory valuation losses was identified as a key audit matter.

How our audit addressed the matter

We performed the following procedures in relation to the above key audit matters:

1. Assessed whether the policies on allowance for inventory valuation losses were consistently applied in all the periods and met the applicable accounting principles based on our understanding of the Group's operations and the characteristics of its industry.

2. Reviewed the details of the individually obsolete inventories, checked the related supporting documents and verified with the data obtained from observing the annual physical count of inventory.
3. Inspected and tested the preparation logic and the basis of market value used in the net realisable value report and validated the accuracy of net realisable calculation of selected samples.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditors’ responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 generally accepted auditing standards 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 consolidated financial statements.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period 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.

Juanlu, Man-Yu

Lin, Ya-Hui

For and on behalf of PricewaterhouseCoopers, Taiwan

March 21, 2022

The accompanying consolidated financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying consolidated financial statements and independent auditors' report are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.

As the financial statements are the responsibility of the management, PricewaterhouseCoopers cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

TST GROUP HOLDING LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars)

| Assets | | | December 31, 2021 | | December 31, 2020 | |
|--------------------|-------------------------------|------------|-------------------|-----|-------------------|-----|
| | | | AMOUNT | % | AMOUNT | % |
| Current assets | | | | | | |
| 1100 | Cash and cash equivalents | 6(1) | \$ 740,504 | 15 | \$ 1,250,551 | 31 |
| 1150 | Notes receivable, net | 6(3) | 202,085 | 4 | 40,914 | 1 |
| 1170 | Accounts receivable, net | 6(3) | 1,103,868 | 23 | 764,994 | 19 |
| 1200 | Other receivables | 6(4) | 112,117 | 3 | 47,909 | 1 |
| 130X | Inventory | 6(5) | 1,557,951 | 32 | 787,632 | 20 |
| 1470 | Other current assets | 6(1) and 8 | 50,708 | 1 | 46,842 | 1 |
| 11XX | Total current assets | | 3,767,233 | 78 | 2,938,842 | 73 |
| Non-current assets | | | | | | |
| 1600 | Property, plant and equipment | 6(6) | 776,276 | 16 | 803,289 | 20 |
| 1755 | Right-of-use assets | 6(7) | 269,127 | 5 | 80,652 | 2 |
| 1780 | Intangible assets | | 510 | - | 181 | - |
| 1840 | Deferred tax assets | 6(23) | 8,215 | - | - | - |
| 1900 | Other non-current assets | 6(8) | 36,173 | 1 | 192,831 | 5 |
| 15XX | Total non-current assets | | 1,090,301 | 22 | 1,076,953 | 27 |
| 1XXX | Total assets | | \$ 4,857,534 | 100 | \$ 4,015,795 | 100 |

(Continued)

TST GROUP HOLDING LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars)

| Liabilities and Equity | | | December 31, 2021 | | December 31, 2020 | | | | | |
|-------------------------|--|-------|-------------------|-----------|-------------------|--------|-----------|----------|---|----|
| | | | Notes | AMOUNT | % | AMOUNT | % | | | |
| Liabilities | | | | | | | | | | |
| Current liabilities | | | | | | | | | | |
| 2100 | Short-term borrowings | 6(9) | \$ | 216,881 | 4 | \$ | 44,475 | 1 | | |
| 2150 | Notes payable | | | 487,372 | 10 | | 255,510 | 6 | | |
| 2170 | Accounts payable | | | 1,159,044 | 24 | | 877,625 | 22 | | |
| 2180 | Accounts payable to related parties | 7 | | 125,611 | 3 | | - | - | | |
| 2200 | Other payables | 6(10) | | 223,287 | 5 | | 246,649 | 6 | | |
| 2220 | Other payables - related parties | 7 | | 1,018 | - | | 908 | - | | |
| 2230 | Current income tax liabilities | | | 44,623 | 1 | | 43,305 | 1 | | |
| 2280 | Current lease liabilities | | | 19,366 | - | | 17,223 | 1 | | |
| 2320 | Long-term liabilities, current portion | 6(11) | | 245 | - | | 7,372 | - | | |
| 2399 | Other current liabilities | 6(16) | | 7,444 | - | | 1,335 | - | | |
| 21XX | Total current liabilities | | | 2,284,891 | 47 | | 1,494,402 | 37 | | |
| Non-current liabilities | | | | | | | | | | |
| 2540 | Long-term borrowings | 6(11) | | 61 | - | | 315 | - | | |
| 2570 | Deferred income tax liabilities | 6(23) | | 14,304 | - | | 40,468 | 1 | | |
| 2580 | Non-current lease liabilities | | | 63,794 | 2 | | 66,132 | 2 | | |
| 2600 | Net defined benefit liability - non-current | | | 426 | - | | 439 | - | | |
| 25XX | Total non-current liabilities | | | 78,585 | 2 | | 107,354 | 3 | | |
| 2XXX | Total liabilities | | | 2,363,476 | 49 | | 1,601,756 | 40 | | |
| Equity | | | | | | | | | | |
| | Share capital | 6(13) | | | | | | | | |
| 3110 | Common stock | | | 315,000 | 6 | | 315,000 | 8 | | |
| | Capital surplus | 6(14) | | | | | | | | |
| 3200 | Capital surplus | | | 1,614,016 | 33 | | 1,614,016 | 40 | | |
| | Retained earnings | 6(15) | | | | | | | | |
| 3320 | Special reserve | | | 193,419 | 4 | | 122,946 | 3 | | |
| 3350 | Unappropriated retained earnings | | | 638,188 | 13 | | 576,298 | 14 | | |
| | Other equity interest | | | | | | | | | |
| 3400 | Other equity interest | | (| 245,763) | (| 5) | (| 193,419) | (| 5) |
| 3500 | Treasury shares | 6(13) | (| 20,802) | - | (| 20,802) | - | | |
| 3XXX | Total equity | | | 2,494,058 | 51 | | 2,414,039 | 60 | | |
| | Significant contingent liabilities and unrecognised contract commitments | 9 | | | | | | | | |
| | Significant event after the balance sheet date | 11 | | | | | | | | |
| 3X2X | Total liabilities and equity | | \$ | 4,857,534 | 100 | \$ | 4,015,795 | 100 | | |

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

TST GROUP HOLDING LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2021 AND 2020

(Expressed in thousands of New Taiwan dollars, except for earnings per share amount)

| | | | Year ended December 31 | | | |
|---|--------------------|--|------------------------|-------|--------------|-------|
| | | | 2021 | | 2020 | |
| Items | Notes | | AMOUNT | % | AMOUNT | % |
| 4000 Sales revenue | 6(16) | | \$ 7,418,374 | 100 | \$ 5,389,194 | 100 |
| 5000 Operating costs | 6(5)(21)(22) and 7 | | (6,334,152) | (85) | (4,219,740) | (78) |
| 5950 Net operating margin | | | 1,084,222 | 15 | 1,169,454 | 22 |
| Operating expenses | 6(12)(21)(22) | | | | | |
| 6100 Selling expenses | | | (184,933) | (2) | (140,437) | (3) |
| 6200 General and administrative expenses | | | (488,947) | (7) | (452,792) | (9) |
| 6300 Research and development expenses | | | (11,074) | - | (15,653) | - |
| 6450 Impairment gain and reversal of impairment loss (impairment loss) determined in accordance with IFRS 9 | | | 8,773 | - | (5,535) | - |
| 6000 Total operating expenses | | | (676,181) | (9) | (614,417) | (12) |
| 6900 Operating profit | | | 408,041 | 6 | 555,037 | 10 |
| Non-operating income and expenses | | | | | | |
| 7100 Interest income | 6(17) | | 7,039 | - | 10,226 | - |
| 7010 Other income | 6(18) | | 18,094 | - | 16,124 | - |
| 7020 Other gains and losses | 6(19) | | (14,435) | - | (36,522) | - |
| 7050 Finance costs | 6(20) | | (6,098) | - | (7,332) | - |
| 7000 Total non-operating income and expenses | | | 4,600 | - | (17,504) | - |
| 7900 Profit before income tax | | | 412,641 | 6 | 537,533 | 10 |
| 7950 Income tax expense | 6(23) | | (76,509) | (1) | (121,493) | (2) |
| 8200 Profit for the year | | | \$ 336,132 | 5 | \$ 416,040 | 8 |
| Other comprehensive income | | | | | | |
| Components of other comprehensive income that will be reclassified to profit or loss | | | | | | |
| 8361 Exchange differences on translation | | | (\$ 52,344) | (1) | (\$ 70,473) | (2) |
| 8360 Other comprehensive loss that will be reclassified to profit or loss | | | (52,344) | (1) | (70,473) | (2) |
| 8500 Total comprehensive income for the year | | | \$ 283,788 | 4 | \$ 345,567 | 6 |
| Profit attributable to: | | | | | | |
| 8610 Owners of the parent | | | \$ 336,132 | 5 | \$ 416,040 | 8 |
| Comprehensive income attributable to: | | | | | | |
| 8710 Owners of the parent | | | \$ 283,788 | 4 | \$ 345,567 | 6 |
| Earnings per share | 6(24) | | | | | |
| 9750 Basic earnings per share | | | \$ 10.72 | | \$ 13.25 | |
| 9850 Diluted earnings per share | | | \$ 10.71 | | \$ 13.23 | |

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

TST GROUP HOLDING LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
YEARS ENDED DECEMBER 31, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars)

| | | Equity attributable to owners of the parent | | | | | | |
|------------------------------|------------------------------|---|-------------------|----------------------------------|---------------------|--|-----------------|---------------------|
| | | Retained Earnings | | | | Other Equity Interest | | |
| | | | | | | Financial statements translation differences of foreign operations | Treasury shares | |
| Notes | Share capital - common stock | Capital surplus, additional paid-in capital | Special reserve | Unappropriated retained earnings | | | | Total equity |
| <u>2020</u> | | | | | | | | |
| | \$ 315,000 | \$ 1,614,016 | \$ 43,510 | \$ 491,694 | (\$ 122,946) | \$ - | | \$ 2,341,274 |
| | - | - | - | 416,040 | - | - | | 416,040 |
| | - | - | - | - | (70,473) | - | | (70,473) |
| | - | - | - | 416,040 | (70,473) | - | | 345,567 |
| Appropriations of earnings | 6(15) | | | | | | | |
| Special reserve | | - | 79,436 | (79,436) | - | - | | - |
| Cash dividends | | - | - | (252,000) | - | - | | (252,000) |
| Purchase of treasury shares | 6(13) | - | - | - | - | (20,802) | | (20,802) |
| Balance at December 31, 2020 | <u>\$ 315,000</u> | <u>\$ 1,614,016</u> | <u>\$ 122,946</u> | <u>\$ 576,298</u> | <u>(\$ 193,419)</u> | <u>(\$ 20,802)</u> | | <u>\$ 2,414,039</u> |
| <u>2021</u> | | | | | | | | |
| | \$ 315,000 | \$ 1,614,016 | \$ 122,946 | \$ 576,298 | (\$ 193,419) | (\$ 20,802) | | \$ 2,414,039 |
| | - | - | - | 336,132 | - | - | | 336,132 |
| | - | - | - | - | (52,344) | - | | (52,344) |
| | - | - | - | 336,132 | (52,344) | - | | 283,788 |
| Appropriations of earnings | 6(15) | | | | | | | |
| Special reserve | | - | 70,473 | (70,473) | - | - | | - |
| Cash dividends | | - | - | (203,769) | - | - | | (203,769) |
| Balance at December 31, 2021 | <u>\$ 315,000</u> | <u>\$ 1,614,016</u> | <u>\$ 193,419</u> | <u>\$ 638,188</u> | <u>(\$ 245,763)</u> | <u>(\$ 20,802)</u> | | <u>\$ 2,494,058</u> |

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

TST GROUP HOLDING LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars)

| | | Year ended December 31 | |
|---|-------|------------------------|--------------|
| | Notes | 2021 | 2020 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Profit before tax | | \$ 412,641 | \$ 537,533 |
| Adjustments | | | |
| Adjustments to reconcile profit (loss) | | | |
| Depreciation | 6(21) | 131,044 | 132,710 |
| Amortization | 6(21) | 70 | 69 |
| Expected credit (gain) loss | | (8,773) | 5,535 |
| Gain on rent concessions | 6(7) | - | (2,372) |
| Loss on disposal of property, plant and equipment | 6(19) | 721 | 1,878 |
| Impairment loss on property, plant and equipment | 6(19) | - | 19,114 |
| Interest income | 6(17) | (7,039) | (10,226) |
| Interest expense | 6(20) | 6,098 | 7,332 |
| Changes in operating assets and liabilities | | | |
| Changes in operating assets | | | |
| Notes receivable, net | | (161,171) | (24,147) |
| Accounts receivable, net | | (330,101) | 103,711 |
| Other receivables | | (64,208) | 6,793 |
| Inventory | | (770,319) | 66,398 |
| Other current assets | | (4,700) | 3,565 |
| Changes in operating liabilities | | | |
| Notes payable | | 231,862 | 125,307 |
| Accounts payable to related parties | 7 | 125,611 | - |
| Accounts payable | | 281,419 | (38,832) |
| Other payables to related parties | | 110 | 228 |
| Other payables | | (23,414) | 25,668 |
| Other current liabilities | | 6,109 | (12,863) |
| Cash (outflow) inflow generated from operations | | (174,040) | 947,401 |
| Interest received | | 7,039 | 10,226 |
| Interest paid | | (6,098) | (7,332) |
| Income taxes paid | | (108,376) | (146,661) |
| Net cash flows (used in) from operating activities | | (281,475) | 803,634 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Decrease in other current assets | | 834 | 12,960 |
| Acquisition of property, plant and equipment | 6(25) | (103,716) | (85,688) |
| Proceeds from disposal of property, plant and equipment | | 3,581 | 1,235 |
| Decrease in refundable deposits | | 3,192 | 312 |
| Acquisition of intangible assets | | (399) | - |
| Acquisition of right-of-use assets | 6(25) | (39,627) | - |
| (Increase) decrease in other non-current assets | | (3,527) | 520 |
| Increase in prepayment for land use right | | - | (156,993) |
| Net cash flows used in investing activities | | (139,662) | (227,654) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Increase (decrease) in short-term loans | | 172,406 | (108,249) |
| Repayments of long-term debt | | (7,381) | (15,660) |
| Decrease in guarantee deposits received | | (13) | (23) |
| Payments of lease liabilities | | (22,479) | (27,822) |
| Cash dividends paid | 6(15) | (203,769) | (252,000) |
| Payment to acquire treasury shares | | - | (20,802) |
| Net cash flows used in financing activities | | (61,236) | (424,556) |
| Effect of foreign exchange translations | | (27,674) | (22,877) |
| Net (decrease) increase in cash and cash equivalents | | (510,047) | 128,547 |
| Cash and cash equivalents at beginning of year | | 1,250,551 | 1,122,004 |
| Cash and cash equivalents at end of year | | \$ 740,504 | \$ 1,250,551 |

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

TST GROUP HOLDING LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2021 AND 2020

(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

1. History and Organization

TST Group Holding Ltd. (the “Company”), formerly Bumper World Group (Cayman) Holdings Limited, was incorporated as a company in the Cayman Islands in May 2013. The address of the Company’s registered office is P.O. Box 472, 2nd Floor, Harbour Place, 103 South Church Street, George Town, Grand Cayman KY1-1106, Cayman Islands. The Company has completed the Group restructuring in June 2018. The Company and its subsidiaries (collectively referred herein as the “Group”) are primarily engaged in the manufacture and sales of textile.

The stocks of the Company were officially listed on the Taiwan Stock Exchange (“TWSE”) on December 5, 2019.

2. Date of Authorisation for Issuance of the Financial Statements and Procedures for Authorisation

These consolidated financial statements were authorised for issuance by the Board of Directors on March 21, 2022.

3. Application of New Standards, Amendments and Interpretations

(1) Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards (“IFRS”) as endorsed by the Financial Supervisory Commission (“FSC”)

New standards, interpretations and amendments endorsed by the FSC effective from 2021 are as follows:

| <u>New and revised Standards, Interpretations and Amendments</u> | <u>Effective date by International Accounting Standards Board</u> |
|--|---|
| Amendments to IFRS 4, ‘Extension of the temporary exemption from applying IFRS 9’ | January 1, 2021 |
| Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, ‘Interest Rate Benchmark Reform - Phase 2’ | January 1, 2021 |
| Amendment to IFRS 16, ‘Covid-19-related rent concessions beyond 30 June 2021’ | April 1, 2021 (Note) |

Note: Earlier application from January 1, 2021 is allowed by the FSC.

The above standards and interpretations have no significant impact to the Group’s financial condition and financial performance based on the Group’s assessment.

(2) Effect of new issuances of or amendments to IFRSs as endorsed by the FSC but not yet adopted by the Group

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

| New Standards, Interpretations and Amendments | Effective date by International Accounting Standards Board |
|---|--|
| Amendments to IFRS 3, 'Reference to the conceptual framework' | January 1, 2022 |
| Amendments to IAS 16, 'Property, plant and equipment: proceeds before intended use' | January 1, 2022 |
| Amendments to IAS 37, 'Onerous contracts - cost of fulfilling a contract' | January 1, 2022 |
| Annual improvements to IFRSs 2018- 2020 cycle | January 1, 2022 |

The above standards and interpretations have no significant impact to the Group's financial condition and financial performance based on the Group's assessment.

(3) IFRSs issued by IASB but not yet endorsed by the FSC

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

| New Standards, Interpretations and Amendments | Effective date by International Accounting Standards Board |
|---|--|
| 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 International Accounting Standards Board |
| IFRS 17, 'Insurance contracts' | January 1, 2023 |
| Amendments to IFRS 17, 'Insurance contracts' | January 1, 2023 |
| Amendment to IFRS 17, 'Initial application of IFRS 17 and IFRS 9 – comparative information' | January 1, 2023 |
| Amendments to IAS 1, 'Classification of liabilities as current or non-current' | January 1, 2023 |
| Amendments to IAS 1, 'Disclosure of accounting policies' | January 1, 2023 |
| Amendments to IAS 8, 'Definition of accounting estimates' | January 1, 2023 |
| Amendments to IAS 12, 'Deferred tax related to assets and liabilities arising from a single transaction' | January 1, 2023 |

The above standards and interpretations have no significant impact to the Group's financial condition and financial performance based on the Group's assessment.

4. Summary of Significant Accounting Policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(1) Compliance statement

The consolidated financial statements of the Group have been prepared in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers”, International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the “IFRSs”).

(2) Basis of preparation

- A. Except for financial assets at fair value through profit or loss, the consolidated financial statements have been prepared under the historical cost convention.
- B. The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

(3) Basis of consolidation

A. Basis for preparation of consolidated financial statements

- (a) All subsidiaries are included in the Group’s consolidated financial statements. Subsidiaries are all entities (including structured entities) controlled by the Group. The Group controls an entity when the Group 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. Consolidation of subsidiaries begins from the date the Group obtains control of the subsidiaries and ceases when the Group loses control of the subsidiaries.
- (b) Inter-company transactions, balances and unrealised gains or losses on transactions between companies within the Group are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group.
- (c) Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the noncontrolling interests having a deficit balance.
- (d) Changes in a parent’s ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary (transactions with non-controlling interests) are accounted for as equity transactions, i.e. transactions with owners in their capacity as owners. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity.
- (e) When the Group loses control of a subsidiary, the Group remeasures any investment retained in the former subsidiary at its fair value. That fair value is regarded as the fair value on initial recognition of a financial asset or the cost on initial recognition of the associate or joint venture. Any difference between fair value and carrying amount is recognised in profit or loss. All

amounts previously recognised 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 Group loses control of a subsidiary, all gains or losses previously recognised in other comprehensive income in relation to the subsidiary should 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.

B. Subsidiaries included in the consolidated financial statements:

| Name of investor | Name of subsidiary | Main business activities | Ownership (%) | | Description |
|-----------------------------|--|-------------------------------|-------------------|-------------------|-------------|
| | | | December 31, 2021 | December 31, 2020 | |
| The Company | BUMPER WORLD GROUP HOLDINGS LIMITED (Bumper BVI) | Holding company | 100% | 100% | |
| The Company | TST International Group Limited (TST) | Holding company | 100% | 100% | |
| Bumper BVI | TOP SPORTS TEXTILE LTD. (TOP SPORTS) | Manufacturer | 100% | 100% | |
| TST | THRIVE NATION GROUP LIMITED (THRIVE) | Holding company | 100% | 100% | Note 1 |
| TST | TOP STAR TEXTILE LIMITED (Top Star) | Sales company | 100% | 100% | |
| TST | CHINTEX ENTERPRISES LIMITED | Sales company | 100% | 100% | |
| TST | GUANGZHOU RUNWELL KNITS TEXTILE | Sales company | 100% | 100% | |
| CHINTEX ENTERPRISES LIMITED | GUANGZHOU CHINTEX MANAGEMENT CONSULTING CO., LTD. | Management consulting company | 100% | 100% | |
| Top Star | TOP STAR TEXTILE VIEINAM COMPANY LIMITED (TST Vietnam) | Manufacturing company | 100% | 100% | |
| THRIVE | Top Sports Textile Vietnam Company Limited (TSP Vietnam) | Manufacturing company | 100% | 0% | Note 2 |

Note 1: The Group acquired 100% control in THRIVE on December 8, 2020.

Note 2: The Group acquired 100% control in TSP Vietnam on April 23, 2021.

- C. Subsidiaries not included in the consolidated financial statements: None.
- D. Adjustments for subsidiaries with different balance sheet dates: None.
- E. Significant restrictions: None.
- F. Subsidiaries that have non-controlling interests that are material to the Group: None.

(4) Foreign currency translation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The Company's functional currency is United States dollars; however, the consolidated financial statements are presented in New Taiwan dollars under the regulations of the regulatory authorities.

A. Foreign currency transactions and balances

- (a) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in profit or loss in the period in which they arise.
- (b) Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognised in profit or loss.
- (c) Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.
- (d) All foreign exchange gains and losses are presented in the statement of comprehensive income within 'other gains and losses'.

B. Translation of foreign operations

- (a) The operating results and financial position of all the group entities, associates and joint arrangements that have a functional currency different from the presentation currency are translated into the presentation currency as follows:
 - i. Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;
 - ii. Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and
 - iii. All resulting exchange differences are recognised in other comprehensive income.
- (b) When the foreign operation partially disposed of or sold is a subsidiary, cumulative exchange

differences that were recorded in other comprehensive income are proportionately transferred to the non-controlling interest in this foreign operation. In addition, even when the Group retains partial interest in the former foreign subsidiary after losing control of the former foreign subsidiary, such transactions should be accounted for as disposal of all interest in the foreign operation.

- (c) The Group's financial statements were translated into New Taiwan dollars based on the average exchange rates of USD1=NTD 28.0088 and USD1=NTD29.5491 for the years ended December 31, 2021 and 2020, respectively. The closing exchange rates as of December 31, 2021 and 2020 were USD1=NTD 27.680 and USD1=NTD28.480, respectively.

(5) Classification of current and non-current items

- A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:
- (a) Assets arising from operating activities that are expected to be realised, 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 realised within twelve months from the balance sheet date;
 - (d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to settle liabilities more than twelve months after the balance sheet date.
- B. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:
- (a) Liabilities that are expected to be settled within the normal operating cycle;
 - (b) Liabilities arising mainly from trading activities;
 - (c) Liabilities that are to be settled within twelve months from the balance sheet date;
 - (d) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. 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.

(6) Cash equivalents

Cash equivalents refer to 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.

(7) Financial assets at fair value through profit or loss

- A. Financial assets at fair value through profit or loss are financial assets that are not measured at amortised cost or fair value through other comprehensive income.
- B. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognised and derecognised using trade date accounting.
- C. At initial recognition, the Group measures the financial assets at fair value and recognises the transaction costs in profit or loss. The Group subsequently measures the financial assets at fair value, and recognises the gain or loss in profit or loss.

D. Dividends are recognised as revenue when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

(8) Accounts and notes receivable

A. Accounts and notes receivable entitle the Group a legal right to receive consideration in exchange for transferred goods or rendered services.

B. The short-term accounts and notes receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(9) Impairment of financial assets

For accounts receivable that has a significant financing component, at each reporting date, the Group recognises the impairment provision for 12 months expected credit losses if there has not been a significant increase in credit risk since initial recognition or recognises the impairment provision for the lifetime expected credit losses (ECLs) if such credit risk has increased since initial recognition after taking into consideration all reasonable and verifiable information that includes forecasts. On the other hand, for accounts receivable that do not contain a significant financing component, the Group recognises the impairment provision for lifetime ECLs.

(10) Derecognition of financial assets

The Group derecognises a financial asset when one of the following conditions is met:

A. The contractual rights to receive the cash flows from the financial asset expire.

B. The contractual rights to receive cash flows of the financial asset have been transferred and the Group has transferred substantially all risks and rewards of ownership of the financial asset.

C. The contractual rights to receive cash flows of the financial asset have been transferred; however, the Group has not retained control of the financial asset.

(11) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted-average method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads. It excludes borrowing costs. The item by item approach is used in applying the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and applicable variable selling expenses.

(12) Investments accounted for using equity method / associates

A. Associates are all entities over which the Group has significant influence but not control. In general, it is presumed that the investor has significant influence, if an investor holds, directly or indirectly 20 percent or more of the voting power of the investee. Investments in associates are accounted for using the equity method and are initially recognised at cost.

B. The Group's share of its associates' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. When the Group's share of losses in an associate equals or

exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

- C. When changes in an associate's equity do not arise from profit or loss or other comprehensive income of the associate and such changes do not affect the Group's ownership percentage of the associate, the Group recognises change in ownership interests in the associate in 'capital surplus' in proportion to its ownership.
- D. Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been adjusted where necessary to ensure consistency with the policies adopted by the Group.
- E. When the Group disposes its investment in an associate and loses significant influence over this associate, the amounts previously recognised in other comprehensive income in relation to the associate, are reclassified to profit or loss, on the same basis as would be required if the relevant assets or liabilities were disposed of. If it retains significant influence over this associate, the amounts previously recognised in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately in accordance with the aforementioned approach.

(13) Property, plant and equipment

- A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalised.
- B. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.
- C. Property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. Each part of an item of property, plant, and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.
- D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year-end. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets 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:

| | |
|--------------------------|--------------|
| Buildings and structures | 5 ~ 50 years |
| Machinery and equipment | 5 ~ 10 years |
| Office equipment | 2 ~ 5 years |
| Transportation equipment | 4 ~ 5 years |
| Other equipment | 5 years |

(14) Leasing arrangements (lessee) - right-of-use assets / lease liabilities

- A. Leases are recognised as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Group. For short-term leases or leases of low-value assets, lease payments are recognised as an expense on a straight-line basis over the lease term.
- B. Lease liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the incremental borrowing interest rate. Lease payments are fixed payments, less any lease incentives receivable. The Group subsequently measures the lease liability at amortised cost using the interest method and recognises interest expense over the lease term. The lease liability is remeasured and the amount of remeasurement is recognised as an adjustment to the right-of-use asset when there are changes in the lease term or lease payments and such changes do not arise from contract modifications.
- C. At the commencement date, the right-of-use asset is stated at cost comprising the amount of the initial measurement of lease liability. The right-of-use asset is measured subsequently using the cost model and is depreciated from the commencement date to the earlier of the end of the asset's useful life or the end of the lease term. When the lease liability is remeasured, the amount of remeasurement is recognised as an adjustment to the right-of-use asset.
- D. For lease modifications that decrease the scope of the lease, the lessee shall decrease the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognise the difference between remeasured lease liability in profit or loss.

(15) Intangible assets

Computer software is stated at cost and amortised on a straight-line basis over its estimated useful life of 10 years.

(16) Impairment of non-financial assets

The Group assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. When the circumstances or reasons for recognising impairment loss for an asset in prior years no longer exist or diminish, the impairment loss is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortised historical cost would have been if the impairment had not been recognised.

(17) Borrowings

Borrowings comprise long-term and short-term bank borrowings. Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

(18) Notes and accounts payable

- A. Accounts payable are liabilities for purchases of goods or services and notes payable are those resulting from operating and non-operating activities.
- B. The short-term notes and accounts payable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(19) Derecognition of financial liabilities

A financial liability is derecognised when the obligation specified in the contract is either discharged or cancelled or expires.

(20) 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 recognised as expense in that period when the employees render service.

B. Pensions

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

C. Employees' compensation and directors' and supervisors' remuneration

Employees' compensation and directors' and supervisors' remuneration are recognised as expense and liability, provided that such recognition is required under legal or constructive obligation and those amounts can be reliably estimated. Any difference between the resolved amounts and the subsequently actual distributed amounts is accounted for as changes in estimates. If employee compensation is paid by shares, the Group calculates the number of shares based on the closing price at the previous day of the board meeting resolution.

(21) Employee share-based payment

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 recognised as compensation cost over the vesting period, with a corresponding adjustment to equity. The fair value of the equity instruments granted shall reflect the impact of market vesting conditions and non-vesting conditions. Compensation cost is subject to adjustment based on the service conditions that are expected to be satisfied and the estimates of the number of equity instruments that are expected to vest under the non-market vesting conditions at each balance sheet date. Ultimately, the amount

of compensation cost recognised is based on the number of equity instruments that eventually vest.

(22) Income tax

- A. The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or items recognised directly in equity, in which cases the tax is recognised in other comprehensive income or equity.
- B. The current income tax expense 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. Different tax regulations are applicable to the Group according to the countries where the companies are registered:
- (a) Companies that are registered in the Cayman Islands and British Virgin Islands are exempted from income tax in accordance with local regulations.
 - (b) Income taxes of companies that are registered in Mainland China are calculated in accordance with the “Law of the People’s Republic of China on Enterprise Income Tax” and its implementation and related notification letters.
 - (c) For companies that are registered in the Hong Kong Special Administrative Region of the People’s Republic of China, only income sourced in Hong Kong is taxable under the rules of Hong Kong’s Inland Revenue Ordinance.
 - (d) Income taxes of companies that are registered in the Kingdom of Cambodia are calculated in accordance with the “Law on Taxation” and its implementation and related notification letters.
 - (e) Income taxes of companies that are registered in the Socialist Republic of Vietnam are calculated in accordance with the “Corporate Income Tax” (CIT) and its implementation and related notification letters.
- C. Deferred tax is recognised, 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 Group 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 balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

- D. Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. At each balance sheet date, unrecognised and recognised deferred tax assets are reassessed.

(23) Share capital

- A. Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or stock options are shown in equity as a deduction, net of tax, from the proceeds.
- B. Where the Company repurchases the Company's shares that have been issued, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's equity holders. Where such shares are subsequently reissued, the difference between their book value and any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

(24) Dividends

Dividends are recorded in the Company's financial statements in the period in which they are resolved by the Company's stockholders. Cash dividends are recorded as liabilities; stock dividends are recorded as stock dividends to be distributed and are reclassified to ordinary shares on the effective date of new shares issuance.

(25) Revenue recognition

A. Sales of goods

- (a) The Group manufactures and sells textile products. Sales are recognised when control of the products has transferred, being when the products are delivered to the wholesaler, the wholesaler has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, or the Group has objective evidence that all criteria for acceptance have been satisfied.
- (b) A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

B. Incremental costs of obtaining a contract

Given that the contractual period lasts less than one year, the Group recognises the incremental costs of obtaining a contract as an expense when incurred although the Group expects to recover those costs.

(26) Government grants

Government grants are recognised at their fair value only when there is reasonable assurance that the Group will comply with any conditions attached to the grants and the grants will be received. Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises expenses for the related costs for which the grants are intended to compensate.

(27) Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The Group's chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors that makes strategic decisions.

5. Critical Accounting Judgements, Estimates and Key Sources of Assumption Uncertainty

The preparation of these consolidated financial statements requires management to make critical judgements in applying the Group's accounting policies and make critical assumptions and estimates concerning future events. Assumptions and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience and other factors. Such assumptions and estimates have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year; and the related information is addressed below:

(1) Critical judgements in applying the Group's accounting policies

None.

(2) Critical accounting estimates and assumptions

Evaluation of inventories

As inventories are stated at the lower of cost and net realisable value, the Group must determine the net realisable value of inventories on balance sheet date using judgements and estimates. Due to the rapid technology innovation, the Group evaluates the amounts of normal inventory consumption, obsolete inventories or inventories without market selling value on balance sheet date, and writes down the cost of inventories to the net realisable value. Such an evaluation of inventories is principally based on the demand for the products within the specified period in the future. Therefore, there might be material changes to the evaluation.

Details of the carrying amount of inventories as of December 31, 2021 are provided in Note 6(5).

6. Details of Significant Accounts

(1) Cash and cash equivalents

| | December 31, 2021 | December 31, 2020 |
|--|-------------------|---------------------|
| Cash on hand and revolving funds | \$ 706 | \$ 699 |
| Checking accounts and demand deposits | 739,798 | 1,074,869 |
| Time deposits | 23,815 | 199,632 |
| | <u>764,319</u> | <u>1,275,200</u> |
| Restricted and transferred to other current assets | (23,815) | (24,649) |
| | <u>\$ 740,504</u> | <u>\$ 1,250,551</u> |

A. The Group transacts with a variety of financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote.

B. Details of the Group's cash and cash equivalents pledged to others are provided in Note 8.

(2) Financial assets at fair value through profit or loss

| | <u>December 31, 2021</u> | <u>December 31, 2020</u> |
|--|--------------------------|--------------------------|
| Non-current items: | | |
| Financial assets mandatorily measured at fair value through profit or loss | | |
| Unlisted stocks | \$ 22,797 | \$ 23,456 |
| Valuation adjustments | (22,797) | (23,456) |
| | <u>\$ -</u> | <u>\$ -</u> |

(3) Notes and accounts receivable

| | <u>December 31, 2021</u> | <u>December 31, 2020</u> |
|-------------------------------|--------------------------|--------------------------|
| Notes receivable | \$ 202,085 | \$ 40,914 |
| Accounts receivable | \$ 1,105,145 | \$ 775,181 |
| Less: Allowance for bad debts | (1,277) | (10,187) |
| | <u>\$ 1,103,868</u> | <u>\$ 764,994</u> |

A. The ageing analysis of accounts receivable and notes receivable that were past due but not impaired is as follows:

| | <u>December 31, 2021</u> | | <u>December 31, 2020</u> | |
|---------------|----------------------------|-------------------------|----------------------------|-------------------------|
| | <u>Accounts receivable</u> | <u>Notes receivable</u> | <u>Accounts receivable</u> | <u>Notes receivable</u> |
| Not past due | \$ 1,029,324 | \$ 202,085 | \$ 650,811 | \$ 40,914 |
| Up to 30 days | 71,786 | - | 108,121 | - |
| 31 to 60 days | 3,795 | - | 8,978 | - |
| 61 to 90 days | - | - | 4,076 | - |
| Over 90 days | 240 | - | 3,195 | - |
| | <u>\$ 1,105,145</u> | <u>\$ 202,085</u> | <u>\$ 775,181</u> | <u>\$ 40,914</u> |

The above ageing analysis was based on past due date.

B. As of December 31, 2021 and 2020, accounts receivable and notes receivable were all from contracts with customers. As of January 1, 2020, the balance of accounts receivable (including notes receivable) from contracts with customers amounted to \$895,935.

C. As at December 31, 2021 and 2020, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the Group's notes and accounts receivable was \$202,085 and \$40,914, \$1,103,868 and \$764,994, respectively.

D. Information relating to credit risk of accounts receivable and notes receivable is provided in Note 12(2).

(4) Other receivables

| | December 31, 2021 | December 31, 2020 |
|-----------------------|-------------------|-------------------|
| Tax refund receivable | \$ 110,320 | \$ 45,316 |
| Others | 1,797 | 2,593 |
| | <u>\$ 112,117</u> | <u>\$ 47,909</u> |

(5) Inventories

| | December 31, 2021 | | |
|------------------|---------------------|---------------------------------|---------------------|
| | Cost | Allowance for valuation loss | Book value |
| Raw materials | \$ 578,624 | (\$ 6,911) | \$ 571,713 |
| Work in progress | 655,266 | (16,531) | 638,735 |
| Finished goods | 355,947 | (8,444) | 347,503 |
| | <u>\$ 1,589,837</u> | <u>(\$ 31,886)</u> | <u>\$ 1,557,951</u> |

| | December 31, 2020 | | |
|------------------|-------------------|---------------------------------|-------------------|
| | Cost | Allowance for valuation loss | Book value |
| Raw materials | \$ 260,871 | (\$ 5,176) | \$ 255,695 |
| Work in progress | 386,967 | (18,681) | 368,286 |
| Finished goods | 175,083 | (11,432) | 163,651 |
| | <u>\$ 822,921</u> | <u>(\$ 35,289)</u> | <u>\$ 787,632</u> |

The cost of inventories recognised as expense for the year:

| | Years ended December 31, | |
|--|--------------------------|---------------------|
| | 2021 | 2020 |
| Cost of goods sold | \$ 6,332,041 | \$ 4,205,777 |
| (Gain on reversal of) loss on decline in market value (Note) | (2,877) | 13,982 |
| Others | 4,988 | (19) |
| | <u>\$ 6,334,152</u> | <u>\$ 4,219,740</u> |

Note: Gain on reversal of decline in market value arose from inventory clearance.

(6) Property, plant and equipment

| | Buildings | | Transportation | | | Unfinished and equipment under | | |
|--|-------------------|-------------------|------------------|-----------------|------------------|-----------------------------------|-------------------|--|
| | and structures | Machinery | Office equipment | equipment | Other equipment | acceptance construction | Total | |
| <u>At January 1, 2021</u> | | | | | | | | |
| Cost | \$ 259,393 | \$ 910,753 | \$ 17,399 | \$ 38,329 | \$ 16,098 | \$ 24,559 | \$ 1,266,531 | |
| Accumulated depreciation and impairment | (51,026) | (367,446) | (8,493) | (33,059) | (3,218) | - | (463,242) | |
| | <u>\$ 208,367</u> | <u>\$ 543,307</u> | <u>\$ 8,906</u> | <u>\$ 5,270</u> | <u>\$ 12,880</u> | <u>\$ 24,559</u> | <u>\$ 803,289</u> | |
| <u>2021</u> | | | | | | | | |
| Opening net book amount as at January 1 | \$ 208,367 | \$ 543,307 | \$ 8,906 | \$ 5,270 | \$ 12,880 | \$ 24,559 | \$ 803,289 | |
| Additions | 18,069 | 48,138 | 278 | - | 7,314 | 29,969 | 103,768 | |
| Disposals | - (392) | (280) | (107) | (3,523) | - | (4,302) | | |
| Reclassifications | 1,683 | 24,770 | - | - | - (27,871) | (1,418) | | |
| Depreciation charge | (12,616) | (83,008) | (2,088) | (2,168) | (3,154) | - | (103,034) | |
| Effect of foreign exchange | (5,908) | (14,977) | (172) | (87) | (234) | (649) | (22,027) | |
| Closing net book amount as at December 31 | <u>\$ 209,595</u> | <u>\$ 517,838</u> | <u>\$ 6,644</u> | <u>\$ 2,908</u> | <u>\$ 13,283</u> | <u>\$ 26,008</u> | <u>\$ 776,276</u> | |
| <u>At December 31, 2021</u> | | | | | | | | |
| Cost | \$ 271,672 | \$ 955,454 | \$ 15,938 | \$ 36,560 | \$ 18,646 | \$ 26,008 | \$ 1,324,278 | |
| Accumulated depreciation and impairment | (62,077) | (437,616) | (9,294) | (33,652) | (5,363) | - | (548,002) | |
| | <u>\$ 209,595</u> | <u>\$ 517,838</u> | <u>\$ 6,644</u> | <u>\$ 2,908</u> | <u>\$ 13,283</u> | <u>\$ 26,008</u> | <u>\$ 776,276</u> | |

| | Buildings and structures | Machinery | Office equipment | Transportation equipment | Other equipment | Unfinished and equipment under acceptance construction | Total |
|--|-----------------------------|-------------------|------------------|-----------------------------|------------------|--|-------------------|
| <u>At January 1, 2020</u> | | | | | | | |
| Cost | \$ 269,355 | \$ 873,402 | \$ 11,842 | \$ 38,953 | \$ 5,305 | \$ 77,506 | \$ 1,276,363 |
| Accumulated depreciation and impairment | (40,935) | (290,191) | (7,737) | (27,079) | (1,811) | - | (367,753) |
| | <u>\$ 228,420</u> | <u>\$ 583,211</u> | <u>\$ 4,105</u> | <u>\$ 11,874</u> | <u>\$ 3,494</u> | <u>\$ 77,506</u> | <u>\$ 908,610</u> |
| <u>2020</u> | | | | | | | |
| Opening net book amount as at January 1 | \$ 228,420 | \$ 583,211 | \$ 4,105 | \$ 11,874 | \$ 3,494 | \$ 77,506 | \$ 908,610 |
| Additions | 865 | 2,717 | 4,388 | 260 | 6,202 | 55,385 | 69,817 |
| Disposals | (246) | (2,767) | (63) | - | (37) | - | (3,113) |
| Reclassifications | 3,058 | 92,785 | 2,361 | - | 6,095 | (106,295) | (1,996) |
| Depreciation charge | (12,637) | (84,751) | (1,645) | (6,634) | (2,598) | - | (108,265) |
| Impairment loss | - | (19,114) | - | - | - | - | (19,114) |
| Effect of foreign exchange | (11,093) | (28,774) | (240) | (230) | (276) | (2,037) | (42,650) |
| Closing net book amount as at December 31 | <u>\$ 208,367</u> | <u>\$ 543,307</u> | <u>\$ 8,906</u> | <u>\$ 5,270</u> | <u>\$ 12,880</u> | <u>\$ 24,559</u> | <u>\$ 803,289</u> |
| <u>At December 31, 2020</u> | | | | | | | |
| Cost | \$ 259,393 | \$ 910,753 | \$ 17,399 | \$ 38,329 | \$ 16,098 | \$ 24,559 | \$ 1,266,531 |
| Accumulated depreciation and impairment | (51,026) | (367,446) | (8,493) | (33,059) | (3,218) | - | (463,242) |
| | <u>\$ 208,367</u> | <u>\$ 543,307</u> | <u>\$ 8,906</u> | <u>\$ 5,270</u> | <u>\$ 12,880</u> | <u>\$ 24,559</u> | <u>\$ 803,289</u> |

The Group has no property, plant and equipment pledged to others.

(7) Leasing arrangements - lessee

A. The Group leases various assets including land and buildings. Rental contracts are typically made for periods of 1 to 38 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose covenants, but leased assets may not be used as security for borrowing purposes.

B. The carrying amount of right-of-use assets and the depreciation charge are as follows:

| | December 31, 2021 | December 31, 2020 |
|-----------|-------------------|-------------------|
| | Carrying amount | Carrying amount |
| Land | \$ 211,303 | \$ 24,335 |
| Buildings | 57,824 | 56,317 |
| | <u>\$ 269,127</u> | <u>\$ 80,652</u> |

| | Years ended December 31, | |
|-----------|--------------------------|---------------------|
| | 2021 | 2020 |
| | Depreciation charge | Depreciation charge |
| Land | \$ 6,297 | \$ 3,010 |
| Buildings | 21,713 | 21,435 |
| | <u>\$ 28,010</u> | <u>\$ 24,445</u> |

C. The information on profit and loss accounts relating to lease contracts is as follows:

| | Years ended December 31, | |
|---------------------------------------|--------------------------|---------------------|
| | 2021 | 2020 |
| <u>Items affecting profit or loss</u> | Depreciation charge | Depreciation charge |
| Interest expense on lease liabilities | \$ 4,851 | \$ 5,456 |
| Expense on short-term lease contracts | 7,104 | 4,128 |

E. For the years ended December 31, 2021 and 2020, the additions to right-of-use assets were \$218,150 and \$6,675, respectively.

F. For the years ended December 31, 2021 and 2020, the Group's total cash outflow for leases were \$34,434 and \$37,406, respectively.

F. The Group has applied the practical expedient to "Covid-19-related rent concessions", and recognised the gain from changes in lease payments arising from the rent concessions amounting to \$0 and \$2,372 by increasing other gains and losses for 2021 and 2020, respectively.

(8) Other non-current assets

| | December 31, 2021 | December 31, 2020 |
|--------------------------------|-------------------|-------------------|
| Prepayments for land use right | \$ - | \$ 156,993 |
| Others | 36,173 | 35,838 |
| | <u>\$ 36,173</u> | <u>\$ 192,831</u> |

The Group leased land in THANH THANH CONG INDUSTRIAL ZONE which is located in An Hoi Hamlet, An Hoa Commune, Trang Bang District, Tay Ninh Province from THANH THANH CONG INDUSTRIAL ZONE JOINT-STOCK COMPANY as resolved by the Board of Directors on December 15, 2020 to meet the needs of operating growth. Lease term is from the date when both parties entered into the land lease agreement to December 26, 2058. The Group hired Vietnam Standard Finance & Deal Service Company Ltd. to issue an appraisal report. The appraised amount was USD 6,527,826 (in dollars) ~ USD 7,035,546 (in dollars) and the agreed transaction amount was USD 6,890,490 (in dollars, excluding 10% of value increment tax), which was approximately NTD 196,620 thousand (translated at an exchange rate of \$28.535). The abovementioned payment has been paid in full by the Group in accordance with the agreement and transferred to right-of-use assets in May 2021.

(9) Short-term borrowings

| <u>Type of Borrowings</u> | <u>December 31, 2021</u> | <u>Interest rate range</u> | <u>Collateral</u> |
|---------------------------|--------------------------|----------------------------|-------------------|
| Bank borrowings | | | |
| Unsecured borrowings | <u>\$ 216,881</u> | 1.05%~1.75% | - |
| <u>Type of Borrowings</u> | <u>December 31, 2020</u> | <u>Interest rate range</u> | <u>Collateral</u> |
| Bank borrowings | | | |
| Unsecured borrowings | <u>\$ 44,475</u> | 1.70%~2.00% | - |

(10) Other payables

| | <u>December 31, 2021</u> | <u>December 31, 2020</u> |
|---------------------------------|--------------------------|--------------------------|
| Salary and bonus payable | \$ 129,434 | \$ 138,226 |
| Machinery and equipment payable | 16,043 | 15,991 |
| Others | 77,810 | 92,432 |
| | <u>\$ 223,287</u> | <u>\$ 246,649</u> |

(11) Long-term borrowings

| Type of Borrowings | Borrowing period and repayment term | Interest rate | December 31, 2021 |
|--|---|------------------|-------------------|
| Long-term bank borrowings | | | |
| Hang Seng Bank unsecured borrowings | Borrowing period is from March 15, 2018 to March 14, 2023; interest is payable monthly | LIBOR +2.00% | \$ 306 |
| Less: Current portion | | | (245) |
| | | | <u>\$ 61</u> |

| Type of Borrowings | Borrowing period and repayment term | Interest rate | December 31, 2020 |
|---|---|------------------|-------------------|
| Long-term bank borrowings | | | |
| Standard Chartered Bank secured borrowings | Borrowing period is from May 14, 2018 to June 21, 2021; interest is payable monthly | Prime -3.15% | \$ 7,120 |
| Hang Seng Bank unsecured borrowings | Borrowing period is from March 15, 2018 to March 14, 2023; interest is payable monthly | LIBOR +2.00% | 567 |
| Less: Current portion | | | (7,372) |
| | | | <u>\$ 315</u> |

Information about the long-term borrowings that were pledged to others as collateral is provided in Note 8.

(12) Pensions

The Group's mainland China subsidiaries have a defined contribution plan. Monthly contributions to an independent fund administered by the government in accordance with the pension regulations in the People's Republic of China (PRC) are based on certain percentage of employees' monthly salaries and wages. The contribution percentage for the years ended December 31, 2021 and 2020 was 13%~16% for both years. Other than the monthly contributions, the Group has no further obligations.

The Group's Hong Kong subsidiary offers Mandatory Provident Fund Schemes (MPF Schemes), a defined contribution plan, in accordance with the regulations of the Hong Kong Special Administrative Region of the People's Republic of China for qualified employees. Contribution amounts are based on certain percentage of employees' basic salaries and wages and are deducted from statement of comprehensive income when payments are required according to MPF Schemes regulations. The assets of MPF Schemes are deposited in independently managed funds, which are separated from the assets of the Group. In addition, the employers' contributions to the MPF Schemes of the Group belong exclusively to employees.

The Group's Vietnam subsidiary offers social insurance, a defined contribution plan, which is calculated based on certain percentage of employees' total local salaries and wages, and contributes to an independent fund administered by the local government in accordance with the pension regulations of local government agencies.

The pension costs under the defined contribution pension plans of the Group for the years ended December 31, 2021 and 2020 were \$17,352 and \$2,775, respectively.

(13) Share capital

A. As of December 31, 2021, the Company's authorised capital was \$600,000, consisting of 60,000 thousand shares of ordinary stock and the paid-in capital was \$315,000 with a par value of \$10 (in dollars) per share.

B. Treasury shares

(a) Reason for share reacquisition and movements in the number of the Company's treasury shares are as follows:

| Name of company holding the shares | Reason for reacquisition | December 31, 2021 | |
|---------------------------------------|-----------------------------|-------------------|-----------------|
| | | Number of shares | Carrying amount |
| The Company | To be reissued to employees | \$ 151,000 | \$ 20,802 |

| Name of company holding the shares | Reason for reacquisition | December 31, 2020 | |
|---------------------------------------|-----------------------------|-------------------|-----------------|
| | | Number of shares | Carrying amount |
| The Company | To be reissued to employees | \$ 151,000 | \$ 20,802 |

- (b) Pursuant to the R.O.C. Securities and Exchange Act, the number of shares bought back as treasury share should not exceed 10% of the number of the Company's issued and outstanding shares and the amount bought back should not exceed the sum of retained earnings, paid-in capital in excess of par value and realised capital surplus.
- (c) Pursuant to the R.O.C. Securities and Exchange Act, treasury shares should not be pledged as collateral and is not entitled to dividends before it is reissued.
- (d) Pursuant to the R.O.C. Securities and Exchange Act, treasury shares should be reissued to the employees within five years from the reacquisition date and shares not reissued within the five-year period are to be retired. Treasury shares to enhance the Company's credit rating and the stockholders' equity should be retired within six months of acquisition.

(14) Capital surplus

Pursuant to the R.O.C. Company Act, capital surplus arising from paid-in capital in excess of par value on issuance of common stocks and donations can be used to cover accumulated deficit or to issue new stocks or cash to shareholders in proportion to their share ownership, provided that the Company has no accumulated deficit. Further, the R.O.C. Securities and Exchange Act requires that the amount of capital surplus to be capitalised mentioned above should not exceed 10% of the paid-in capital each year. Capital surplus should not be used to cover accumulated deficit unless the legal reserve is insufficient.

(15) Retained earnings

- A. Under the Company's Articles of Incorporation, the current year's earnings, if any, shall first be used to pay all taxes and offset prior years' operating losses and special reserve shall be appropriated or reversed in accordance with Public Offering under the Companies Act or regulations of the regulatory authority. The remainder, if any, along with the beginning unappropriated earnings shall comprise the Company's accumulated distributable earnings. The distribution of earnings shall be proposed by the Board of Directors and resolved by the stockholders at the stockholders' meeting.
- B. In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.
- C. As the Company is in the growth stage, the Company's dividend policy as to whether the distribution of dividends will be in the form of cash and/or shares is dependent on the Company's requirements for future capital expenditures, business expansion and financial planning for sustainable development. The Board of Directors shall propose the plan when distributing profits and such plan shall be resolved by the stockholders through ordinary resolution. Of the total cash dividends distributed, cash dividends shall not be less than 20% of total dividends distributed.

- D. The distribution of earnings for the years ended December 31, 2020 and 2019 resolved by the stockholders at the stockholders' meeting on August 11, 2021 and June 16, 2020, respectively, are as follows:

| Year ended December 31, 2020 | | |
|------------------------------|-------------------|------------------------------------|
| | Amount | Dividend per share (in dollars) |
| Special reserve | \$ 70,473 | |
| Cash dividends | 203,769 | 6.5 |
| | <u>\$ 274,242</u> | |

| Year ended December 31, 2019 | | |
|------------------------------|-------------------|------------------------------------|
| | Amount | Dividend per share (in dollars) |
| Special reserve | \$ 79,436 | |
| Cash dividends | 252,000 | 8 |
| | <u>\$ 331,436</u> | |

- E. The distribution of earnings for the year ended December 31, 2021 proposed by the Board of Directors on March 21, 2022 is as follows:

| Year ended December 31, 2021 | | |
|------------------------------|-------------------|----------------------------------|
| | Amount | Dividends per share (in dollars) |
| Special reserve | \$ 52,346 | |
| Cash dividends | 141,071 | 4.5 |
| Stock dividends | 62,698 | 2 |
| | <u>\$ 256,115</u> | |

- F. For the information relating to employees' compensation and directors' and supervisors' remuneration, please refer to Note 6(22).

(16) Operating revenue

| Years ended December 31, | | |
|---|---------------------|---------------------|
| | 2021 | 2020 |
| Revenue from contracts with customers - textile | <u>\$ 7,418,374</u> | <u>\$ 5,389,194</u> |

- A. Disaggregation of revenue from contracts with customers

The Group derives revenue from the transfer of goods and services at a point in time in the following major geographical regions:

| | China | | | |
|--|-----------------------|--------------|-----------------|---------------------|
| <u>2021</u> | (including Hong Kong) | Cambodia | Vietnam | Total |
| Total segment revenue | \$ 11,575,608 | \$ 1,068,278 | \$ 29,254 | \$ 12,673,140 |
| Inter-segment revenue | (4,158,824) | (1,068,278) | (27,664) | (5,254,766) |
| Revenue from external customer contracts | <u>\$ 7,416,784</u> | <u>\$ -</u> | <u>\$ 1,590</u> | <u>\$ 7,418,374</u> |
| Timing of revenue recognition | | | | |
| At a point in time | <u>\$ 7,416,784</u> | <u>\$ -</u> | <u>\$ 1,590</u> | <u>\$ 7,418,374</u> |

| | China | | | |
|--|-----------------------|-------------|-------------|---------------------|
| <u>2020</u> | (including Hong Kong) | Cambodia | Vietnam | Total |
| Total segment revenue | \$ 8,569,483 | \$ 852,726 | \$ 23,890 | \$ 9,446,099 |
| Inter-segment revenue | (3,180,289) | (852,726) | (23,890) | (4,056,905) |
| Revenue from external customer contracts | <u>\$ 5,389,194</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 5,389,194</u> |
| Timing of revenue recognition | | | | |
| At a point in time | <u>\$ 5,389,194</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 5,389,194</u> |

B. Contract liabilities

The Group has recognised the following revenue-related liabilities:

| | <u>December 31, 2021</u> | <u>December 31, 2020</u> | <u>January 1, 2020</u> |
|--|--------------------------|--------------------------|------------------------|
| Contract liabilities - advance sales receipts (shown as other current liabilities) | <u>\$ 7,444</u> | <u>\$ 1,335</u> | <u>\$ 14,198</u> |

C. Revenue recognised that was included in the contract liability balance at the beginning of the year

| | <u>Years ended December 31,</u> | |
|------------------------|---------------------------------|------------------|
| | <u>2021</u> | <u>2020</u> |
| Advance sales receipts | <u>\$ 1,329</u> | <u>\$ 14,191</u> |

(17) Interest income

| | <u>Years ended December 31,</u> | |
|------------------------------------|---------------------------------|------------------|
| | <u>2021</u> | <u>2020</u> |
| Interest income from bank deposits | <u>\$ 7,039</u> | <u>\$ 10,226</u> |

(18) Other income

| | <u>Years ended December 31,</u> | |
|-------------------|---------------------------------|------------------|
| | <u>2021</u> | <u>2020</u> |
| Government grants | <u>\$ 17,421</u> | <u>\$ 15,593</u> |
| Other income | <u>673</u> | <u>531</u> |
| | <u>\$ 18,094</u> | <u>\$ 16,124</u> |

(19) Other gains and losses

| | Years ended December 31, | |
|---|--------------------------|--------------------|
| | 2021 | 2020 |
| Losses on disposal of property, plant and equipment | (\$ 721) | (\$ 1,878) |
| Foreign exchange gains | (8,735) | (12,870) |
| Impairment loss recognised in profit or loss, property, plant and equipment | - | (19,114) |
| Other losses | (4,979) | (2,660) |
| | <u>(\$ 14,435)</u> | <u>(\$ 36,522)</u> |

(20) Finance costs

| | Years ended December 31, | |
|------------------|--------------------------|-----------------|
| | 2021 | 2020 |
| Interest expense | \$ 1,247 | \$ 1,876 |
| Bank loan | 4,851 | 5,456 |
| Lease expense | <u>\$ 6,098</u> | <u>\$ 7,332</u> |

(21) Expenses by nature

| | Years ended December 31, | |
|--------------------------|--------------------------|-------------------|
| | 2021 | 2020 |
| Employee benefit expense | \$ 503,623 | \$ 452,413 |
| Depreciation charge | 131,044 | 132,710 |
| Amortisation charge | 70 | 69 |
| | <u>\$ 634,737</u> | <u>\$ 585,192</u> |

(22) Employee benefit expense

| | Years ended December 31, | |
|----------------------------------|--------------------------|-------------------|
| | 2021 | 2020 |
| Wages and salaries | \$ 464,154 | \$ 429,247 |
| Labour and health insurance fees | 10,906 | 9,079 |
| Pension costs | 17,352 | 2,775 |
| Other personnel expenses | 11,211 | 11,312 |
| | <u>\$ 503,623</u> | <u>\$ 452,413</u> |

- A. In accordance with the Articles of Incorporation of the Company, a ratio of distributable profit of the current year, after covering accumulated losses, shall be distributed as employees' compensation and directors' and supervisors' remuneration. The ratio shall not be lower than 1% and not be higher than 10% for employees' compensation and shall not be higher than 5% for directors' and supervisors' remuneration. If the Company has accumulated deficit, earnings should be reserved to cover losses. The employees' compensation shall be distributed in the form of shares or cash.

B. For the years ended December 31, 2021 and 2020, employees' compensation was accrued at \$3,395 and \$4,202, respectively ; while no directors' and supervisors' remuneration was accrued for both years.

For the years ended December 31, 2021, and 2020, the employees' compensation were estimated and accrued based on 1% of distributable profit of current year as of the end of reporting period. Employees' compensation and directors' and supervisors' remuneration for 2020 as resolved by the Board of Directors were in agreement with those amounts recognised in the 2020 financial statements.

Information about employees' compensation and directors' and supervisors' remuneration of the Company as resolved by the Board of Directors will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(23) Income tax

A. Income tax expense

Components of income tax expense:

| | Years ended December 31, | |
|---|--------------------------|-------------------|
| | 2021 | 2020 |
| Current tax: | | |
| Current tax on profits for the year | \$ 110,101 | \$ 136,692 |
| Prior year income tax (over) under estimation | (18) | 33 |
| Deferred tax: | | |
| Origination and reversal of temporary differences | (33,574) | (15,232) |
| Income tax expense | <u>\$ 76,509</u> | <u>\$ 121,493</u> |

B. Reconciliation between income tax expense and accounting profit

| | Years ended December 31, | |
|---|--------------------------|-------------------|
| | 2021 | 2020 |
| Tax calculated based on profit before tax and statutory tax rate (Note) | \$ 84,276 | \$ 120,754 |
| Effects from items that should be adjusted in accordance with tax regulations | (7,749) | (913) |
| Income tax | - | 1,619 |
| Prior year income tax (over) under estimation | (18) | 33 |
| Income tax expense | <u>\$ 76,509</u> | <u>\$ 121,493</u> |

Note: The basis for computing the applicable tax rate are the rates applicable in the respective countries where the Group entities operate.

C. Amounts of deferred tax assets or liabilities as a result of temporary differences are as follows:

| 2021 | | | | |
|--|------------------|---|--------------------------------|--------------------|
| | <u>January 1</u> | <u>Recognised in profit or loss</u> | <u>Exchange difference</u> | <u>December 31</u> |
| — Deferred tax assets: | | | | |
| Allowance for uncollectible accounts in excess of tax limits | \$ - | \$ 256 | (\$ 2) | \$ 254 |
| Unrealised inventory valuation loss | - | 6,054 | (25) | 6,029 |
| Book-tax difference on right-of-use assets | - | 462 | 1 | 463 |
| Unrealised impairment loss | - | 1,443 | 1 | 1,444 |
| Others | - | 26 | (1) | 25 |
| | - | 8,241 | (26) | 8,215 |
| — Deferred tax liabilities: | | | | |
| Book-tax difference on depreciation life | (66) | (652) | 1 | (717) |
| Investment income | (40,402) | 25,985 | 830 | (13,587) |
| | (40,468) | 25,333 | 831 | (14,304) |
| | (\$ 40,468) | \$ 33,574 | \$ 805 | (\$ 6,089) |
| 2020 | | | | |
| | <u>January 1</u> | <u>Recognised in profit or loss</u> | <u>Exchange difference</u> | <u>December 31</u> |
| — Deferred tax liabilities: | | | | |
| Book-tax difference on depreciation life | (\$ 600) | 522 | 12 | (\$ 66) |
| Investment income | (57,454) | 14,710 | 2,342 | (40,402) |
| | (\$ 58,054) | \$ 15,232 | \$ 2,354 | (\$ 40,468) |

D. Under the regulations of the 2013 tax incentives based on sector of Vietnam, the Group's qualified subsidiary, TOP STAR TEXTILE VIETNAM COMPANY LIMITED, is entitled to the tax incentives of: 'tax exemption for 2 years plus 50% tax reduction for the next 4 years' and '17% preferential CIT rate for 10 years'.

(24) Earnings per share

| Year ended December 31, 2021 | | | |
|---|------------------|---|------------------------------------|
| | Amount after tax | Weighted average number of ordinary shares outstanding (shares in thousands) | Earnings per share (in dollars) |
| <u>Basic earnings per share</u> | | | |
| Profit for the year | \$ 336,132 | 31,349 | \$ 10.72 |
| <u>Diluted earnings per share</u> | | | |
| Assumed conversion of all dilutive potential ordinary shares | | | |
| Employees' compensation | - | 25 | |
| Profit for the year plus assumed conversion of all dilutive potential ordinary shares | \$ 336,132 | 31,374 | \$ 10.71 |
| Year ended December 31, 2020 | | | |
| | Amount after tax | Weighted average number of ordinary shares outstanding (shares in thousands) | Earnings per share (in dollars) |
| <u>Basic earnings per share</u> | | | |
| Profit for the year | \$ 416,040 | 31,407 | \$ 13.25 |
| <u>Diluted earnings per share</u> | | | |
| Assumed conversion of all dilutive potential ordinary shares | | | |
| Employees' compensation | - | 28 | |
| Profit for the year plus assumed conversion of all dilutive potential ordinary shares | \$ 416,040 | 31,435 | \$ 13.23 |

(25) Supplemental cash flow information

Investing activities with partial cash payments

| | Years ended December 31, | |
|--|--------------------------|------------------|
| | 2021 | 2020 |
| Purchase of property, plant and equipment | \$ 103,768 | \$ 69,817 |
| Add: Opening balance of payable on equipment | 15,991 | 31,862 |
| Less: Ending balance of payable on equipment | (16,043) | (15,991) |
| Cash paid during the year | <u>\$ 103,716</u> | <u>\$ 85,688</u> |

| | Years ended December 31, | |
|---|--------------------------|-------------|
| | 2021 | 2020 |
| Purchase of right-of-use assets | \$ 218,150 | \$ - |
| Add: Ending balance of prepayment for right-of-use assets | - | - |
| Less: Opening balance of prepayment for right-of-use assets | (156,993) | - |
| Changes in other non-cash items | (21,530) | - |
| Cash paid during the year | <u>\$ 39,627</u> | <u>\$ -</u> |

(26) Changes in liabilities from financing activities

The Company's changes in liabilities from financing activities for the years ended December 31, 2021 and 2020 are the changes in financing cash flows. Please refer to consolidated statements of cash flows.

7. Related Party Transactions

(1) Names of related parties and relationship

| <u>Names of related parties</u> | <u>Relationship with the Company</u> |
|--|--------------------------------------|
| LIN CHIN-MAO | Key management |
| LIN CHING-WEI | Key management |
| CHINTEX INVESTMENT COMPANY LTD. (CHINTEX) | Other related party |
| TAT CHEONG INTERNATIONAL COMPANY LIMITED (TAT CHEONG) | Other related party |
| PONG FU (SHANGHAI) INVESTMENT CONSULTING CO., LTD. (PONG FU) | Other related party |
| NEWA INSURANCE (CAMBODIA) PLC. (NEWA INSURANCE) | Other related party |
| LIN CHIN-HSUAN | Other related party |
| HUNG CHENG-TSUNG | Other related party |
| YU YING | Other related party |
| TAISHABA INTERNATIONAL CO., LTD. | Other related party |
| ABILITY INTERNATIONAL CO.,LTD. (Note) | Other related party |
| ABILITY INVESTMENT CO., LTD. (Note) | Other related party |
| PENG TAI-PING | Other related party |
| GUANGDONG JINGYING TEXTILE TECHNOLOGY CO., LTD. | Other related party |
| Spruce Fashion Design Inc | Other related party |

Note: ABILITY INTERNATIONAL CO., LTD. merged with ABILITY INVESTMENT CO., LTD. in September 2020. ABILITY INVESTMENT CO., LTD. was the surviving company while ABILITY INTERNATIONAL CO., LTD. was dissolved after the merger.

(2) Significant related party transactions

The following disclosures are based on transactions with counterparties who are considered as related parties.

A. Purchases:

| | <u>Years ended December 31,</u> | |
|------------------------|---------------------------------|-------------|
| | <u>2021</u> | <u>2020</u> |
| Purchases of services: | | |
| Other related parties | \$ <u>385,412</u> | \$ <u>-</u> |

Services are purchased from other related parties on normal commercial terms and conditions.

B. Payables to related parties:

| | <u>December 31, 2021</u> | <u>December 31, 2020</u> |
|--|--------------------------|--------------------------|
| Accounts payable: | | |
| GUANGDONG JINGYING TEXTILE TECHNOLOGY CO., LTD. | \$ <u>125,611</u> | \$ <u>-</u> |
| Other payables - other: | | |
| Other related parties | \$ <u>1,018</u> | \$ <u>908</u> |

The payables to related parties arise mainly from provision of services and are due 1 to 3 month(s) after the date of purchase.

C. Property transactions:

Acquisition of property, plant and equipment

| | <u>Years ended December 31,</u> <u>2021</u> | <u>2020</u> |
|-----------------------|--|-------------|
| Other related parties | \$ <u>6,673</u> | \$ <u>-</u> |

D. Leasing arrangements - lessee

(a) The Group leases property from key management and other related parties. The lease terms are from 2018 to 2028 and rent expenses are paid in the period based on agreements.

(b) Acquisition of right-of-use assets

| | <u>Years ended December 31,</u> <u>2021</u> | <u>2020</u> |
|-----------------------|--|-----------------|
| Other related parties | \$ <u>4,975</u> | \$ <u>3,486</u> |

(c) Rent expense

| | <u>Years ended December 31,</u> <u>2021</u> | <u>2020</u> |
|-----------------------|--|---------------|
| Key management | \$ 422 | \$ 490 |
| Other related parties | <u>607</u> | <u>30</u> |
| | \$ <u>1,029</u> | \$ <u>520</u> |

(d) Lease liability

i. Outstanding balance:

| | <u>Years ended December 31,</u> <u>2021</u> | <u>2020</u> |
|-----------------------|--|------------------|
| LIN CHIN-MAO | \$ 39,507 | \$ 21,272 |
| LIN CHING-WEI | 8,688 | 10,393 |
| CHINTEX | - | 24,647 |
| Other related parties | <u>10,167</u> | <u>12,386</u> |
| | \$ <u>58,362</u> | \$ <u>68,698</u> |

ii. Interest expense

| | Years ended December 31, | |
|-----------------------|--------------------------|-----------------|
| | 2021 | 2020 |
| LIN CHIN-MAO | \$ 2,819 | \$ 1,118 |
| LIN CHING-WEI | 470 | 541 |
| CHINTEX | - | 2,142 |
| Other related parties | 609 | 665 |
| | <u>\$ 3,898</u> | <u>\$ 4,466</u> |

E. Service fees

| | Years ended December 31, | |
|-----------------------|--------------------------|-----------------|
| | 2021 | 2020 |
| Other related parties | <u>\$ 1,687</u> | <u>\$ 1,782</u> |

The Group entered into a service agreement with other related parties and the fees are paid monthly.

(3) Key management compensation

| | Years ended December 31, | |
|---|--------------------------|------------------|
| | 2021 | 2020 |
| Salaries and other short-term employee benefits | \$ 67,235 | \$ 81,062 |
| Post-employment benefits | 260 | 274 |
| | <u>\$ 67,495</u> | <u>\$ 81,336</u> |

8. Pledged Assets

The Group's assets pledged as collateral are as follows:

| Pledged asset | Book value | | Purpose |
|--|-------------------|-------------------|----------------------------|
| | December 31, 2021 | December 31, 2020 | |
| Bank borrowings (shown as other current assets) | <u>\$ 23,815</u> | <u>\$ 24,649</u> | Bank borrowings facilities |

9. Significant Contingent Liabilities and Unrecognised Contract Commitments

(1) Contingencies

None.

(2) Commitments

A. Capital expenditure contracted for at the balance sheet date but not yet incurred is as follows:

| | December 31, 2021 |
|-------------------------------|-------------------|
| Property, plant and equipment | <u>\$ 26,719</u> |

B. As of December 31, 2021, the Group's issued but unused letter of credit for importing raw materials amounted to \$172,371.

10. Significant Disaster Loss

None.

11. Significant Events after the Balance Sheet Date

- (1) To meet the operation requirement, the Company decided to invest in apparel industry as resolved by the Board of Directors on February 23, 2022. The Company plans to acquire a 100% equity interest in Zhen Jiang Tuntex Garment Co., Ltd. located in Jiangsu Province, China from Tuntex Incorporation (B.V.I) Co. Limited through TST International Group Limited with a total consideration of US\$7 million.
- (2) Details of the appropriations of 2021 earnings as proposed by the Board of Directors on March 21, 2022 are provided in Note 6(15).

12. Others

(1) Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

(1) Financial instruments

A. Financial instruments

In accordance with IFRS 9, the carrying amount of financial assets at amortised cost classified by the Group (including cash and cash equivalents, notes receivable, net, accounts receivable, net, other receivables and guarantee deposits paid) amounted to \$2,160,859 and the carrying amount of financial liabilities at amortised cost (including short-term borrowings, notes payable, accounts payable (including related parties), other payables (including related parties), lease liabilities, long-term borrowings (including current portion) and guarantee deposits received) amounted to \$2,297,105. Please refer to Note 6 for the financial assets at fair value through profit or loss.

B. Financial risk management policies

- (a) The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's policies on overall risk management focus on unpredictable events in financial markets and seek to minimise any potential adverse effects on the financial condition and financial performance of the Group.
- (b) Risk management is carried out by a central treasury department (Group treasury) under policies approved by the Board of Directors. Group treasury identifies, evaluates and hedges financial risks in close cooperation with the Group's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas and matters, such as foreign exchange risk, interest rate risk, credit risk, use of

derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

C. Significant financial risks and degrees of financial risks

(a) Market risk

Exchange rate risk

i. The Group operates internationally and is exposed to exchange rate risk arising from various currency, primarily with respect to the NTD, USD, HKD, RMB and VND. Exchange rate risk arises from future commercial transactions, recognised assets and liabilities and net investment in a foreign operation.

ii. The Group's businesses involve some non-functional currency operations (the Company's and certain subsidiaries' functional currency: USD; other certain subsidiaries' functional currency: RMB and VND). The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

| December 31, 2021 | | | | |
|--|-------------------------|--------|---------------|------------|
| | Foreign currency amount | | | Book value |
| | (in thousands) | | Exchange rate | (NTD) |
| (Foreign currency: functional currency) | | | | |
| <u>Financial assets</u> | | | | |
| <u>Monetary items</u> | | | | |
| HKD:USD | \$ | 9,426 | 0.1282 | \$ 32,814 |
| USD:VND | | 6,763 | 0.00004 | 187,210 |
| <u>Financial liabilities</u> | | | | |
| <u>Monetary items</u> | | | | |
| RMB:USD | \$ | 49,667 | 0.1569 | \$ 215,755 |
| HKD:USD | | 30,218 | 0.1282 | 107,242 |

| | December 31, 2020 | | |
|--|-------------------------|---------------|------------|
| | Foreign currency amount | | Book value |
| | (in thousands) | Exchange rate | (NTD) |
| (Foreign currency: functional currency) | | | |
| <u>Financial assets</u> | | | |
| <u>Monetary items</u> | | | |
| HKD:USD | \$ 8,572 | 0.1290 | \$ 31,484 |
| <u>Financial liabilities</u> | | | |
| <u>Monetary items</u> | | | |
| RMB:USD | \$ 64,832 | 0.1533 | \$ 283,768 |
| HKD:USD | 15,120 | 0.1290 | 55,536 |

- iii. Total exchange gain (loss), including realised and unrealised arising from significant foreign exchange variation on the monetary items held by the Group for the years ended December 31, 2021 and 2020 amounted to \$ (\$8,735) and (\$12,870), respectively.
- iv. Analysis of foreign currency market risk arising from significant foreign exchange variation:

| Year ended December 31, 2021 | | | | |
|---|---------------------|----|--------------------------|--------------------------------------|
| Sensitivity analysis | | | | |
| | Degree of variation | | Effect on profit or loss | Effect on other comprehensive income |
| (Foreign currency: functional currency) | | | | |
| <u>Financial assets</u> | | | | |
| <u>Monetary items</u> | | | | |
| HKD:USD | 1% | \$ | 328 | \$ - |
| USD:VND | 1% | | 1,872 | - |
| <u>Financial liabilities</u> | | | | |
| <u>Monetary items</u> | | | | |
| RMB:USD | 1% | \$ | 2,158 | \$ - |
| HKD:USD | 1% | | 1,072 | - |

| Year ended December 31, 2020 | | | | |
|---|---------------------|----|--------------------------|--------------------------------------|
| Sensitivity analysis | | | | |
| | Degree of variation | | Effect on profit or loss | Effect on other comprehensive income |
| (Foreign currency: functional currency) | | | | |
| <u>Financial assets</u> | | | | |
| <u>Monetary items</u> | | | | |
| HKD:USD | 1% | \$ | 315 | \$ - |
| <u>Financial liabilities</u> | | | | |
| <u>Monetary items</u> | | | | |
| RMB:USD | 1% | \$ | 2,838 | \$ - |
| HKD:USD | 1% | | 555 | - |

Price risk

The Group's equity securities, which are exposed to price risk, are the held financial assets at fair value through profit or loss. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group.

Cash flow and fair value interest rate risk

- i. The Group's main interest rate risk arises from bank borrowings with variable rates, which expose the Group to cash flow interest rate risk.
- ii. The Group's borrowings are measured at amortised cost. The borrowings are periodically contractually repriced and to that extent are also exposed to the risk of future changes in market interest rates.
- iii. If the borrowing interest rate had increased/decreased by 1% with all other variables held constant, profit before tax for the years ended December 31, 2021 and 2020 would have decreased/increased by \$2,172 and \$522, respectively. The main factor is that changes in interest expense result from floating rate borrowings.

(b) Credit risk

- i. Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms.
- ii. The Group manages their credit risk taking into consideration the entire group's concern. According to the Group's credit policy, each local entity in the Group is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board of Directors. The utilisation of credit limits is regularly monitored.
- iii. The Group adopts credit risk management procedure to assess whether there has been a significant increase in credit risk on that instrument since initial recognition:
If the contract payments were past due over 60 days based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition.
- iv. The Group adopts the assumption under IFRS 9, that is, the default occurs when the contract payments are past due over 90 days.
- v. The Group classifies customer's accounts receivable and notes receivable in accordance with customer types and credit rating of customer. The Group applies the simplified approach using provision matrix and loss rate methodology to estimate expected credit loss under the provision matrix basis. The Group used the forecastability to adjust historical and timely information to assess the default possibility of accounts receivable.

vi. The Group used the forecastability to adjust historical and timely information to assess the default possibility of accounts receivable and notes receivable. On December 31, 2021 and 2020, the provision matrix, loss rate methodology is as follows:

| | Not past due | Up to 30 days past due | 31~60 days past due | 61~90 days past due | More than 90 days past due | Total |
|-----------------------------|--------------|---------------------------|------------------------|------------------------|-------------------------------|--------------|
| <u>At December 31, 2021</u> | | | | | | |
| Expected loss rate | 0.07% | 0.23% | 0% | 0% | 100.00% | |
| Total book value | \$ 1,231,023 | \$ 71,599 | \$ - | \$ - | \$ 240 | \$ 1,302,862 |
| Loss allowance | \$ 874 | \$ 162 | \$ - | \$ - | \$ 240 | \$ 1,276 |
| <u>At December 31, 2020</u> | | | | | | |
| Expected loss rate | 0.03% | 0.03% | 0.07% | 0.07% | 100% | |
| Total book value | \$ 625,407 | \$ 94,675 | \$ 1,523 | \$ 4,024 | \$ 3,195 | \$ 728,824 |
| Loss allowance | \$ 180 | \$ 28 | \$ 1 | \$ 3 | \$ 3,195 | \$ 3,407 |

Further, as of December 31, 2021 and 2020, the Group's accounts receivable amounted to \$4,368 and \$87,271, respectively, and the impairment loss recognised under individual assessment amounted to \$1 and \$6,780 for the years then ended, respectively.

vii. Movements in relation to the Group applying the simplified approach to provide loss allowance for accounts receivable and notes receivable are as follows:

| | 2021 | 2020 |
|---------------------------------|-----------------|------------------|
| At January 1 | \$ 10,187 | \$ 4,928 |
| Provision for impairment | - | 5,535 |
| Reversal of impairment loss | (8,773) | - |
| Effect of exchange rate changes | (137) | (276) |
| At December 31 | <u>\$ 1,277</u> | <u>\$ 10,187</u> |

(c) Liquidity risk

- i. Cash flow forecasting is performed in the operating entities of the Group and aggregated by Group treasury. Group treasury monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs so that the Group does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. Such forecasting takes into consideration the Group's debt financing plans, covenant compliance, and compliance with internal balance sheet ratio targets.
- ii. Surplus cash held by the operating entities over and above balance required for working capital management are transferred to the Group treasury. Group treasury invests surplus cash in interest bearing current accounts, time deposits, money market deposits and marketable securities, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient headroom as determined by the abovementioned forecasts.
- iii. The Group's undrawn borrowing facilities on December 31, 2021 and 2020 were \$1,293,327 and \$1,306,808, respectively.

iv. The table below analyses the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date for non-derivative financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows.

| December 31, 2021 | Less than 1 year | Over 1 year |
|---|------------------|-------------|
| Short-term borrowings | \$ 216,881 | \$ - |
| Notes payable | 487,372 | - |
| Accounts payable (including related parties) | 1,284,655 | - |
| Other payables (including related parties) | 224,305 | - |
| Lease liability | 21,441 | 71,807 |
| Long-term borrowings (including current portion) | 246 | 61 |
| Guarantee deposits received | - | 426 |
| December 31, 2020 | Less than 1 year | Over 1 year |
| Short-term borrowings | \$ 44,475 | \$ - |
| Notes payable | 255,510 | - |
| Accounts payable | 877,625 | - |
| Other payables (including related parties) | 247,557 | - |
| Lease liabilities | 21,580 | 77,901 |
| Long-term borrowings (including current portion) | 7,397 | 330 |
| Guarantee deposits received | - | 439 |

(2) Fair value information

The carrying amount of financial instruments not measured at fair value including cash and cash equivalents, notes receivable, accounts receivable, other receivables, short-term borrowings, notes payable, accounts payable (including related parties) and other payables (including related parties) are approximate to their fair values. Lease liability interest rates are approximate to market interest rates so that the book value is considered approximate to fair value. Long-term borrowing interest rates (including current portion) are floating rates, which are approximate to market interest rates, so that the book value is considered approximate to fair value.

(3) Due to the spread of the COVID-19, there is a lot of uncertainty affecting the global economy. Based on the Group's assessment, the pandemic had no significant impact on the Group's ability to continue as a going concern, impairment on assets and related financing risks. To prevent the spread of the pandemic from impacting the Group's operations, the Group has adopted response measures and continues to manage related matters. The response measures are as follows:

- A. Employees in each office area must take their temperature when entering the office for the first time every day, fill in the health check-in information and upload it.
- B. Cooperate with the epidemic prevention measures and vaccination plan of the local government where the office area is located.
- C. Strengthen disinfection and personnel access control regularly.

- D. Remind employees to wear face masks, wash hands frequently, reduce congregation and keep social distance and distribute goods (face masks, alcohol and hypochlorous acid water) to prevent disease transmission.

13. Supplementary Disclosures

(1) Significant transactions information

- A. Loans to others: Please refer to table 1.
- B. Provision of endorsements and guarantees to others: Please refer to table 2.
- C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Please refer to table 3.
- D. Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital: None.
- E. Acquisition of real estate reaching \$300 million or 20% of paid-in capital or more: please refer to table 4.
- F. Disposal of real estate reaching \$300 million or 20% of paid-in capital or more: None.
- G. Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more: Please refer to table 5.
- H. Receivables from related parties reaching \$100 million or 20% of paid-in capital or more: Please refer to table 6.
- I. Trading in derivative instruments undertaken during the reporting periods: None.
- J. Significant inter-company transactions during the reporting periods: Please refer to table 7.

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China): Please refer to table 8.

(3) Information on investments in Mainland China

- A. Basic information: Please refer to table 9.
- B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area: Please refer to table 10.

(4) Major shareholders information

Major shareholders information: Please refer to table 11.

14. Segment Information

(1) General information

The Group has classified the reportable operating segments based on management strategy. The Company's operations and segmentation are classified according to the management strategy, and the current management strategy is divided into China, Cambodia and Vietnam. Management has determined the reportable operating segments based on the reports reviewed by the management that are used to make strategic decisions.

(2) Measurement of segment information

The Group evaluates the performance of the operating segments based on segment income/(loss) and the accounting policies of each operating segment are the same as Summary of Significant Accounting Policies in Note 4.

(3) Information about segment profit or loss, assets and liabilities

The segment information provided to the chief operating decision-maker for the reportable segments is as follows:

| Year ended December 31, 2021 | | | | | |
|-----------------------------------|-----------------------|---------------------|--------------------|----------------------------|---------------------|
| | China | | | | |
| | (including Hong Kong) | Cambodia | Vietnam | Adjustments and write-offs | Total |
| Revenue from external customers | \$ 7,416,784 | \$ - | \$ 1,590 | \$ - | \$ 7,418,374 |
| Internal revenue | 4,158,824 | 1,068,278 | 27,664 | (5,254,766) | - |
| Total revenue | <u>\$ 11,575,608</u> | <u>\$ 1,068,278</u> | <u>\$ 29,254</u> | <u>(\$ 5,254,766)</u> | <u>\$ 7,418,374</u> |
| Segment income (loss) | <u>\$ 1,010,493</u> | <u>\$ 140,397</u> | <u>(\$ 19,065)</u> | <u>(\$ 719,184)</u> | <u>\$ 412,641</u> |
| Segment income (loss), including: | | | | | |
| Depreciation and amortisation | <u>\$ 21,192</u> | <u>\$ 100,433</u> | <u>\$ 9,489</u> | | <u>\$ 131,114</u> |
| Interest income | <u>\$ 7,036</u> | <u>\$ 3</u> | <u>\$ -</u> | | <u>\$ 7,039</u> |
| Interest expense | <u>\$ 2,480</u> | <u>\$ 2,751</u> | <u>\$ 867</u> | | <u>\$ 6,098</u> |
| Income tax expense | <u>\$ 48,430</u> | <u>\$ 28,079</u> | <u>\$ -</u> | | <u>\$ 76,509</u> |
| Total segment assets | <u>\$ 8,818,424</u> | <u>\$ 1,262,491</u> | <u>\$ 439,924</u> | <u>(\$ 5,663,305)</u> | <u>\$ 4,857,534</u> |
| Total segment liabilities | <u>\$ 2,573,517</u> | <u>\$ 763,412</u> | <u>\$ 52,851</u> | <u>(\$ 1,026,304)</u> | <u>\$ 2,363,476</u> |
| Capital expenditure | <u>\$ 6,227</u> | <u>\$ 83,891</u> | <u>\$ 13,650</u> | <u>\$ -</u> | <u>\$ 103,768</u> |

Year ended December 31, 2020

| | China (including Hong Kong) | Cambodia | Vietnam | Adjustments and write-offs | Total |
|-----------------------------------|-----------------------------------|---------------------|--------------------|-------------------------------|---------------------|
| Revenue from external customers | \$ 5,389,194 | \$ - | \$ - | \$ - | \$ 5,389,194 |
| Internal revenue | 3,180,289 | 852,726 | 23,890 | (4,056,905) | - |
| Total revenue | <u>\$ 8,569,483</u> | <u>\$ 852,726</u> | <u>\$ 23,890</u> | <u>(\$ 4,056,905)</u> | <u>\$ 5,389,194</u> |
| Segment income (loss) | <u>\$ 1,348,277</u> | <u>\$ 48,636</u> | <u>(\$ 23,384)</u> | <u>(\$ 835,996)</u> | <u>\$ 537,533</u> |
| Segment income (loss), including: | | | | | |
| Depreciation and amortisation | <u>\$ 25,029</u> | <u>\$ 101,179</u> | <u>\$ 6,571</u> | | <u>\$ 132,779</u> |
| Interest income | <u>\$ 10,223</u> | <u>\$ 2</u> | <u>\$ 1</u> | | <u>\$ 10,226</u> |
| Interest expense | <u>\$ 3,937</u> | <u>\$ 2,616</u> | <u>\$ 779</u> | | <u>\$ 7,332</u> |
| Income tax expense | <u>\$ 109,920</u> | <u>\$ 11,573</u> | <u>\$ -</u> | | <u>\$ 121,493</u> |
| Total segment assets | <u>\$ 8,079,914</u> | <u>\$ 1,222,955</u> | <u>\$ 45,052</u> | <u>(\$ 5,332,126)</u> | <u>\$ 4,015,795</u> |
| Total segment liabilities | <u>\$ 1,882,867</u> | <u>\$ 823,659</u> | <u>\$ 45,378</u> | <u>(\$ 1,150,148)</u> | <u>\$ 1,601,756</u> |
| Capital expenditure | <u>\$ 8,765</u> | <u>\$ 57,657</u> | <u>\$ 3,395</u> | <u>\$ -</u> | <u>\$ 69,817</u> |

(4) Reconciliation for segment income (loss)

- A. The Group's chief operating decision-maker assesses segment performance and decides resource allocations based on profit before tax, thus reconciliation is not necessary.
- B. The amounts provided to the chief operating decision maker with respect to total assets and total liabilities are measured in a manner consistent with that of the financial statements.

(5) Information on products and services

Please refer to Note 6 (16) for the related information.

(6) Geographical information

Geographical information for the years ended December 31, 2021 and 2020 is as follows:

| | Years ended December 31, | | | |
|-----------|--------------------------|---------------------|---------------------|---------------------|
| | 2021 | | 2020 | |
| | Revenue | Non-current assets | Revenue | Non-current assets |
| Taiwan | \$ 1,871,739 | \$ 623 | \$ 1,542,990 | \$ - |
| China | 1,871,326 | 57,461 | 1,316,411 | 54,027 |
| Singapore | 1,798,600 | - | 902,344 | - |
| Hong Kong | 601,466 | 27,830 | 456,825 | 31,971 |
| Thailand | 168,039 | - | 383,373 | - |
| Indonesia | 218,668 | - | 147,432 | - |
| Cambodia | 221,992 | 771,983 | 112,451 | 806,646 |
| Vietnam | 58,909 | 224,189 | 46,035 | 26,234 |
| Others | 607,635 | - | 481,333 | 158,075 |
| | <u>\$ 7,418,374</u> | <u>\$ 1,082,086</u> | <u>\$ 5,389,194</u> | <u>\$ 1,076,953</u> |

The Group's geographical revenue information is determined based on the countries where the customers operate. Non-current assets refer to property, plant and equipment, right-of-use assets, intangible assets and other non-current assets.

(7) Major customer information

Major customer information of the Group for the years ended December 31, 2021 and 2020 is as follows:

| | Years ended December 31, | | | |
|-----|--------------------------|--------------------------------|------------|--------------------------------|
| | 2021 | | 2020 | |
| | Revenue | Segment | Revenue | Segment |
| CSG | \$ 1,257,538 | China (including Hong Kong) | \$ 447,189 | China (including Hong Kong) |
| MG | 768,550 | China (including Hong Kong) | 470,671 | China (including Hong Kong) |
| DT | 556,476 | China (including Hong Kong) | 559,099 | China (including Hong Kong) |

TST Group Holding Ltd. and Subsidiaries

Loans to others

Year ended December 31, 2021

Table 1

Expressed in thousands of NTD

(Except as otherwise indicated)

| No. (Note 1) | Creditor | Borrower | General ledger account (Note 2) | Is a related party | Maximum outstanding balance during the year ended December 31, 2021 (Note 3) | Balance at December 31, 2021 (Note 8) | Actual amount drawn down | Interest rate | Nature of loan (Note 4) | Amount of transactions with the borrower (Note 5) | Reason for short-term financing (Note 6) | Allowance for doubtful accounts | Collateral | | Limit on loans granted to a single party (Note 7) | Ceiling on total loans granted (Note 7) | Footnote |
|-----------------|-------------------------------------|--|--|--------------------------|--|--|--------------------------------|------------------|-------------------------------|---|---|--|------------|-------|--|--|----------|
| | | | | | | | | | | | | | Item | Value | | | |
| 0 | TST Group Holding Ltd. | TOP STAR TEXTILE LIMITED | Other receivables - related parties | Y | \$ 138,400 | \$ - | \$ - | - | Short-term financing | - | Working capital | - | None | - | \$ 249,406 | \$ 997,623 | |
| 0 | TST Group Holding Ltd. | TOP SPORTS TEXTILE LIMITED. | Other receivables - related parties | Y | 83,040 | - | - | - | Short-term financing | - | Working capital | - | None | - | 249,406 | 997,623 | |
| 1 | TST International Group Limited | THRIVE NATION GROUP LIMITED | Other receivables - related parties | Y | 207,600 | 207,600 | - | - | Short-term financing | - | Working capital | - | None | - | 1,616,471 | 1,616,471 | |
| 1 | TST International Group Limited | TOP STAR TEXTILE LIMITED | Other receivables - related parties | Y | 498,240 | 138,400 | - | TAIFX+2% | Short-term financing | - | Working capital | - | None | - | 1,616,471 | 1,616,471 | |
| 1 | TST International Group Limited | TOP SPORTS TEXTILE LIMITED. | Other receivables - related parties | Y | 830,400 | 830,400 | 332,160 | TAIFX+2% | Short-term financing | - | Working capital | - | None | - | 1,616,471 | 1,616,471 | |
| 1 | TST International Group Limited | TOP STAR TEXTILE VIETNAM COMPANY LIMITED | Other receivables - related parties | Y | 27,680 | 27,680 | 22,144 | TAIFX+2% | Short-term financing | - | Working capital | - | None | - | 1,616,471 | 1,616,471 | |
| 2 | BUMPER WORLD GROUP HOLDINGS LIMITED | TOP SPORTS TEXTILE LTD. | Other receivables - related parties | Y | 55,360 | 55,360 | 13,840 | TAIFX+2% | Short-term financing | - | Working capital | - | None | - | 1,995,246 | 1,995,246 | |
| 3 | TOP STAR TEXTILE LIMITED | CHINTEX ENTERPRISES LIMITED | Other receivables - related parties | Y | 83,040 | 83,040 | - | 4% | Short-term financing | - | Working capital | - | None | - | 2,020,589 | 2,020,589 | |

| No. (Note 1) | Creditor | Borrower | General ledger account (Note 2) | Is a related party | Maximum outstanding balance during the year ended December 31, 2021 (Note 3) | Balance at December 31, 2021 (Note 8) | Actual amount drawn down | Interest rate | Nature of loan (Note 4) | Amount of transactions with the borrower (Note 5) | Reason for short-term financing (Note 6) | Allowance for doubtful accounts | Collateral | | Limit on loans granted to a single party (Note 7) | Ceiling on total loans granted (Note 7) | Footnote |
|-----------------|--------------------------------------|--|---|--------------------------|--|--|--------------------------------|------------------|-------------------------------|---|---|--|------------|-------|--|--|----------|
| | | | | | | | | | | | | | Item | Value | | | |
| 3 | TOP STAR TEXTILE LIMITED | THRIVE NATION GROUP LIMITED | Other receivables - related parties | Y | 276,800 | 276,800 | - | TAIFX+2% | Short-term financing | - | Working capital | - | None | - | 2,020,589 | 2,020,589 | |
| 3 | TOP STAR TEXTILE LIMITED | TOP SPORTS TEXTILE LTD. | Other receivables - related parties | Y | 276,800 | 276,800 | - | - | Short-term financing | - | Working capital | - | None | - | 2,020,589 | 2,020,589 | |
| 3 | TOP STAR TEXTILE LIMITED | TOP STAR TEXTILE VIETNAM COMPANY LIMITED | Other receivables - related parties | Y | 26,296 | 15,224 | - | LIBOR+2% | Short-term financing | - | Working capital | - | None | - | 2,020,589 | 2,020,589 | |
| 4 | THRIVE NATION GROUP LIMITED | TOP STAR TEXTILE VIETNAM COMPANY LIMITED | Other receivables - related parties | Y | 11,072 | 11,072 | 8,304 | TAIFX+2% | Short-term financing | - | Working capital | - | None | - | 412,785 | 412,785 | |

Note 1: The numbers filled in for the loans provided by the Company or subsidiaries are as follows:

(1) The Company is '0'.

(2) The subsidiaries are numbered in order starting from '1'.

Note 2: Fill in the name of account in which the loans are recognised, such as receivables-related parties, current account with stockholders, prepayments, temporary payments, etc.

Note 3: Fill in the maximum outstanding balance of loans to others during the year ended December 31, 2021.

TST Group Holding Ltd.:

The ceiling on total loans granted to the companies, who have business relationship with the Company, is 20% of the Company's net assets based on the latest financial statements; the limit on loans granted to a single party is the amount of business transactions between both sides.

The amount of business transactions refers to the higher amount of purchases or sales between both sides in the most recent year but the limit is 10% of the Company's net assets based on the latest financial statements.

The ceiling on total loans granted to the companies for short-term financing is 40% of the Company's net assets; the limit on loans granted to a single party is 10% of the Company's net assets.

TST International Group Limited:

The ceiling on total loans granted to the companies, who have business relationship with the Company, is 20% of the Company's net assets based on the latest financial statements; the limit on loans granted to a single party is the amount of business transactions between both sides.

The amount of business transactions refers to the higher amount of purchases or sales between both sides in the most recent year but the limit is 10% of the Company's net assets based on the latest financial statements.

The ceiling on total loans granted to the companies for short-term financing is 40% of the Company's net assets; the limit on loans granted to a single party is 10% of the Company's net assets.

The ceiling on total loans granted to the foreign subsidiaries, whose voting rights are 100% owned directly and indirectly by parent, is 80% of the Company's net assets; the limit on loans granted to a single party is 80% of the Company's net assets.

TOP STAR TEXTILE LIMITED:

The ceiling on total loans granted to the companies, who have business relationship with the Company, is 20% of the Company's net assets based on the latest financial statements; the limit on loans granted to a single party is the amount of business transactions between both sides.

The amount of business transactions refers to the higher amount of purchases or sales between both sides in the most recent year but the limit is 10% of the Company's net assets based on the latest financial statements.

The ceiling on total loans granted to the companies for short-term financing is 40% of the Company's net assets; the limit on loans granted to a single party is 10% of the Company's net assets.

The ceiling on total loans granted to the foreign subsidiaries, whose voting rights are 100% owned directly and indirectly by parent, is 100% of the parent's net assets; the limit on loans granted to a single party is 100% of the parent's net assets.

BUMPER WORLD GROUP HOLDINGS LIMITED:

The ceiling on total loans granted to the companies, who have business relationship with the Company, is 20% of the Company's net assets based on the latest financial statements; the limit on loans granted to a single party is the amount of business transactions between both sides.

The amount of business transactions refers to the higher amount of purchases or sales between both sides in the most recent year but the limit is 10% of the Company's net assets based on the latest financial statements.

The ceiling on total loans granted to the companies for short-term financing is 40% of the Company's net assets; the limit on loans granted to a single party is 10% of the Company's net assets.

The ceiling on total loans granted to the foreign subsidiaries, whose voting rights are 100% owned directly and indirectly by parent, is 80% of the parent's net assets; the limit on loans granted to a single party is 80% of the parent's net assets.

THRIVE NATION GROUP LIMITED:

The ceiling on total loans granted to the companies, who have business relationship with the Company, is 20% of the Company's net assets based on the latest financial statements; the limit on loans granted to a single party is the amount of business transactions between both sides.

The amount of business transactions refers to the higher amount of purchases or sales between both sides in the most recent year but the limit is 10% of the Company's net assets based on the latest financial statements.

The ceiling on total loans granted to the companies for short-term financing is 40% of the Company's net assets; the limit on loans granted to a single party is 10% of the Company's net assets.

The ceiling on total loans granted to the foreign subsidiaries, whose voting rights are 100% owned directly and indirectly by parent, is 100% of the parent's net assets; the limit on loans granted to a single party is 100% of the parent's net assets.

Note 4: The column of 'Nature of loan' shall fill in 'Business transaction or 'Short-term financing'.

Note 5: Fill in the amount of business transactions when nature of the loan is related to business transactions, which is the amount of business transactions occurred between the creditor and borrower in the current year.

Note 6: Fill in purpose of loan when nature of loan is for short-term financing, for example, repayment of loan, acquisition of equipment, working capital, etc.

Note 7: Fill in limit on loans granted to a single party and ceiling on total loans granted as prescribed in the creditor company's "Procedures for Provision of Loans", and state each individual party to which the loans have been provided and the calculation for ceiling on total loans granted in the footnote.

Note 8: The amounts of funds to be loaned to others which have been approved by the board of directors of a public company in accordance with Article 14, Item 1 of the "Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies" should be included in its published balance of loans to others at the end of the reporting period to reveal the risk of loaning the public company bears, even though they have not yet been appropriated. However, this balance should exclude the loans repaid when repayments are done subsequently to reflect the risk adjustment. In addition, if the board of directors of a public company has authorized the chairman to loan funds in instalments or in revolving within certain lines and within one year in accordance with Article 14, Item 2 of the "Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies", the published balance of loans to others at the end of the reporting period should also include these lines of loaning approved by the board of directors, and these lines of loaning should not be excluded from this balance even though the loans are repaid subsequently, for taking into consideration they could be loaned again thereafter.

TST Group Holding Ltd. and Subsidiaries
Provision of endorsements and guarantees to others
Year ended December 31, 2021

Table 2

Expressed in thousands of NTD
(Except as otherwise indicated)

| Number (Note 1) | Endorser/ guarantor | Party being endorsed/guaranteed Company name | Relationship with the endorser/ guarantor (Note 2) | Limit on endorsements/ guarantees provided for a single party (Note 3) | Maximum outstanding endorsement/ guarantee amount as of December 31, 2021 (Note 4) | Outstanding endorsement/ guarantee amount at December 31, 2021 (Note 5) | Actual amount drawn down (Note 6) | Amount of endorsements /guarantees secured with collateral | Ratio of accumulated endorsement/ guarantee amount to net asset value of the endorser/ guarantor company | Ceiling on total amount of endorsements/ guarantees provided (Note 3) | Provision of endorsements/ guarantees by parent company to subsidiary (Note 7) | Provision of endorsements/ guarantees by subsidiary to parent company (Note 7) | Provision of endorsements/ guarantees to the party in Mainland China (Note 7) | Footnote |
|--------------------|---------------------------------|--|--|---|---|---|---|--|--|--|--|--|---|----------|
| | | | | | | | | | | | | | | |
| 0 | TST Group Holding Ltd. | TOP SPORTS TEXTILE LTD. | 2 | \$ 12,470,290 | \$ 525,920 | \$ 525,920 | \$ 69,006 | - | 21.09 | \$ 12,470,290 | Y | N | N | - |
| 0 | TST Group Holding Ltd. | Top Star Textile Limited | 2 | 12,470,290 | 1,454,612 | 1,454,612 | 188,611 | - | 58.32 | 12,470,290 | Y | N | N | - |
| 0 | TST Group Holding Ltd. | Top Sports Textile Vietnam Co., Ltd. | 2 | 12,470,290 | 138,400 | 138,400 | - | - | 5.55 | 12,470,290 | Y | N | N | - |
| 0 | TST Group Holding Ltd. | CHINTEX ENTERPRISES LIMITED | 2 | 12,470,290 | 434,134 | 434,134 | 342,069 | - | 17.41 | 12,470,290 | Y | N | Y | - |
| 1 | TST International Group Limited | Top Star Textile Limited | 4 | 10,102,945 | 221,440 | 221,440 | 104,852 | - | 8.88 | 10,102,945 | N | N | N | - |

Note 1: The numbers filled in for the endorsements/guarantees provided by the Company or subsidiaries are as follows:

(1) The Company is '0'.

(2) The subsidiaries are numbered in order starting from '1'.

Note 2: Relationship between the endorser/guarantor and the party being endorsed/guaranteed is classified into the following seven categories; fill in the number of category each case belongs to:

(1) Having business relationship.

(2) The endorser/guarantor company owns directly or indirectly more than 50% voting shares of the endorsed/guaranteed company.

(3) The endorsed/guaranteed company owns directly and indirectly more than 50% voting shares of the endorser/guarantor parent company.

(4) The endorser/guarantor parent company owns directly and indirectly more than 90% voting shares of the endorsed/guaranteed company.

(5) Mutual guarantee of the trade in the same industry or between the common builders as required by the construction contract.

(6) Due to joint venture, all shareholders provide endorsements/guarantees to the endorsed/guaranteed company in proportion to its ownership.

(7) The joint performance guarantee of the pre-sale house sales contract among companies in the same industry in accordance with Consumer Protection Law.

Note 3: Ceiling on total amount of endorsements/guarantees provided and limit on endorsements/guarantees provided for a single party:

TST Group Holding Ltd.:

The Company's ceiling on total amount of endorsements/guarantees provided is 80% of the Company's net assets based on the latest financial statements;

limit on endorsements/guarantees provided for a single party is 20% of the Company's net assets based on the latest financial statements.

The Company's limit on endorsements/guarantees provided for a single party, who has business relationship with the Company, except limited by the aforementioned rules,

is the amount of business transactions in the most recent year before endorsements/guarantees (the higher amount of purchases or sales between both sides).

The endorsements/guarantees between the companies, whose 90% voting shares are owned directly and indirectly by the Company, are qualified with the limit of 10% of the Company's net assets.

Except for endorsements/guarantees between the subsidiaries, whose 100% voting shares are owned directly and indirectly by the company, limit on endorsements/guarantees provided is 5 times of the endorser/guarantor's net assets.

TST International Group Limited:

The Company's ceiling on total amount of endorsements/guarantees provided is 80% of the Company's net assets based on the latest financial statements; limit on endorsements/guarantees provided for a single party is 20% of the Company's net assets based on the latest financial statements.

The Company's limit on endorsements/guarantees provided for a single party, who has business relationship with the Company, except limited by the aforementioned rules, is the amount of business transactions in the most recent year before endorsements/guarantees (the higher amount of purchases or sales between both sides).

The endorsements/guarantees between the companies, whose 90% voting shares are owned directly and indirectly by the Company, are qualified with the limit of 10% of the Company's net assets.

Except for endorsements/guarantees between the companies, whose 100% voting shares are owned directly and indirectly by parent, limit on endorsements/guarantees provided is 5 times of the endorser/guarantor's net assets.

Note 4: Fill in the year-to-date maximum outstanding balance of endorsements/guarantees provided as of the reporting period.

Note 5: Fill in the amount approved by the Board of Directors or the chairman if the chairman has been authorised by the Board of Directors based on subparagraph 8, Article 12 of the Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies.

Note 6: Fill in the actual amount of endorsements/guarantees used by the endorsed/guaranteed company.

Note 7: Fill in 'Y' for those cases of provision of endorsements/guarantees by listed parent company to subsidiary and provision by subsidiary to listed parent company, and provision to the party in Mainland China.

TST Group Holding Ltd. and Subsidiaries
Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures)
December 31, 2021

Table 3

Expressed in thousands of NTD
(Except as otherwise indicated)

| Securities held by | Marketable securities (Note 1) | Relationship with the securities issuer (Note 2) | General ledger account | As of December 31, 2021 | | | | Footnote (Note 4) |
|---------------------------------|--|---|---------------------------|-------------------------|------------------------|---------------|------------|----------------------|
| | | | | Number of shares | Book value (Note 3) | Ownership (%) | Fair value | |
| TST International Group Limited | NINGPO YING XING KNITS TEXTILE CO., LTD. | None | Note 5 | 6,300,000 | \$ - | 9.00 | \$ - | None |

Note 1: Marketable securities in the table refer to stocks, bonds, beneficiary certificates and other related derivative securities.

Note 2: Leave the column blank if the issuer of marketable securities is non-related party.

Note 3: Fill in the amount after adjusted at fair value and deducted by accumulated impairment for the marketable securities measured at fair value; fill in the acquisition cost or amortised cost deducted by accumulated impairment for the marketable securities not measured at fair value.

Note 4: The number of shares of securities and their amounts pledged as security or pledged for loans and their restrictions on use under some agreements should be stated in the footnote if the securities presented herein have such conditions.

Note 5: Financial assets at fair value through profit or loss - non-current.

TST Group Holding Ltd. and Subsidiaries
Acquisition of real estate reaching \$300 million or 20% of paid-in capital or more
Year ended December 31, 2021

Table 4

Expressed in thousands of NTD
(Except as otherwise indicated)

| Real estate acquired by | Real estate acquired | Date of the event | Transaction amount | Status of payment | Counterparty | Relationship with the counterparty | If the counterparty is a related party, information as to the last transaction of the real estate is disclosed below: | | | | Basis or reference used in setting the price | Reason for acquisition of real estate and status of the real estate | Other commitments |
|---|----------------------|------------------------|--|--------------------------------------|--|------------------------------------|---|--|----------------------------------|----------------|--|---|-------------------|
| | | | | | | | Original owner who sold the real estate to the counterparty | Relationship between the original owner and the acquirer | Date of the original transaction | Amount | | | |
| Top Sports Textile Vietnam Company Limited (Note1) | Land use right | 2020.12.15 (Note 2) | \$ 196,620 (tax excluded) (Note 4) | 100% of the advance payment was paid | THANH THANH CONG INDUSTRIAL ZONE JOINT-STOCK COMPANY | - | Not applicable | Not applicable | Not applicable | Not applicable | Appraisal report (Note 3) | Building plant for operating use | None |

Note 1: The Board of Directors during their meeting on December 15, 2020 resolved the investment. The establishment registration of the Vietnam subsidiary, Top Sports Textile Vietnam Company Limited, had not been completed at the date of board resolution, the subsidiary, THRIVE NATION GROUP LIMITED, paid the consideration on behalf of Top Sports Textile Vietnam Company Limited accordingly.

Note 2: Date of the event referred to herein is the date of board resolution.

Note 3: According to the appraisal report of Vietnam Standard Finance & Deal Service Company Ltd., prices were approximately USD 6,527,826~USD 7,035,546, equivalent to NTD 188,066 thousand~202,694 thousand, and the price did not include 10% value-added tax.

Note 4: The amount was translated at the exchange rate of USD/NTD28.535.

TST Group Holding Ltd. and Subsidiaries
Purchases or sales of goods from or to related parties reaching NT\$100 million or 20% of paid-in capital or more
Year ended December 31, 2021

Table 5

Expressed in thousands of NTD

(Except as otherwise indicated)

| | | | Transaction | | | Differences in transaction terms compared to third party transactions (Note 1) | | | Notes/accounts receivable (payable) | | |
|---------------------------------|---|------------------------------------|-------------------|--------------|---------------------------------------|--|------------|-------------|-------------------------------------|--|-------------------|
| Purchaser/seller | Counterparty | Relationship with the counterparty | Purchases (sales) | Amount | Percentage of total purchases (sales) | Credit term | Unit price | Credit term | Balance | Percentage of total notes /accounts receivable (payable) | Footnote (Note 2) |
| TOP STAR TEXTILE LIMITED | TOP SPORTS TEXTILE LTD. | Associates within the Group | Purchases | \$ 1,068,278 | 19.67 | Mutual agreement | - | - | (\$ 294,066) | 31.39 | - |
| TOP SPORTS TEXTILE LTD. | TOP STAR TEXTILE LIMITED | Associates within the Group | Sales | (1,068,278) | 100.00 | Mutual agreement | - | - | 294,066 | 100.00 | - |
| TOP STAR TEXTILE LIMITED | GUANGZHOU RUNWELL KNITS TEXTILE | Associates within the Group | Purchases | 2,099,865 | 39.26 | Mutual agreement | - | - | (215,456) | 23.00 | - |
| GUANGZHOU RUNWELL KNITS TEXTILE | TOP STAR TEXTILE LIMITED | Associates within the Group | Sales | (2,099,865) | 100.00 | Mutual agreement | - | - | 215,456 | 100.00 | - |
| GUANGZHOU RUNWELL KNITS TEXTILE | CHINTEX ENTERPRISES LIMITED | Associates within the Group | Purchases | 2,055,594 | 100.00 | Mutual agreement | - | - | (172,563) | 100.00 | - |
| CHINTEX ENTERPRISES LIMITED | GUANGZHOU RUNWELL KNITS TEXTILE | Associates within the Group | Sales | (2,055,594) | 52.33 | Mutual agreement | - | - | 172,563 | 22.80 | - |
| CHINTEX ENTERPRISES LIMITED | GUANGDONG JINGYING TEXTILE TECHNOLOGY CO., LTD. | Other related party | Purchases | 385,412 | 9.33 | Mutual agreement | - | - | (125,611) | 11.03 | - |

Note 1: If terms of related-party transactions are different from third-party transactions, explain the differences and reasons in the 'Unit price' and 'Credit term' columns.

Note 2: In case related-party transaction terms involve advance receipts (prepayments) transactions, explain in the footnote the reasons, contractual provisions, related amounts, and differences in types of transactions compared to third-party transactions.

Note 3: Paid-in capital referred to herein is the paid-in capital of parent company. In the case that shares were issued with no par value or a par value other than NT\$10 per share, the 20 % of paid-in capital shall be replaced by 10% of equity attributable to owners of the parent in the calculation.

TST Group Holding Ltd. and Subsidiaries
Receivables from related parties reaching NT\$100 million or 20% of paid-in capital or more
December 31, 2021

Table 6

Expressed in thousands of NTD
(Except as otherwise indicated)

| Creditor | Counterparty | Relationship with the counterparty | Balance as at December 31, 2021 (Note 1) | Turnover rate | Overdue receivables | | Amount collected subsequent to the balance sheet date | Allowance for doubtful accounts |
|------------------------------------|------------------------------------|--|--|---------------|---------------------|--------------|---|------------------------------------|
| | | | | | Amount | Action taken | | |
| GUANGZHOU RUNWELL KNITS TEXTILE | TOP STAR TEXTILE LIMITED | Associates within the Group | \$ 215,456 | 8.45 | - | - | \$ 215,456 | - |
| CHINTEX ENTERPRISES LIMITED | GUANGZHOU RUNWELL KNITS TEXTILE | Associates within the Group | 172,563 | 11.35 | - | - | 172,563 | - |
| TOP SPORTS TEXTILE LTD. | TOP STAR TEXTILE LIMITED | Associates within the Group | 294,066 | 4.09 | - | - | 236,619 | - |

Note 1: Fill in separately the balances of accounts receivable-related parties, notes receivable-related parties, other receivables-related parties....

Note 2: Paid-in capital referred to herein is the paid-in capital of parent company. In the case that shares were issued with no par value or a par value other than NT\$10 per share, the 20 % of paid-in capital shall be replaced by 10% of equity attributable to owners of the parent in the calculation.

TST Group Holding Ltd. and Subsidiaries
Significant inter-company transactions during the reporting period
Year ended December 31, 2021

Table 7

Expressed in thousands of NTD
(Except as otherwise indicated)

| Number (Note 1) | Company name | Counterparty | Relationship | Transaction | | | Percentage of consolidated total operating revenues or total assets (Note 3) |
|--------------------|---------------------------------|---------------------------------|--------------|------------------------|--------------|-------------------|---|
| | | | | General ledger account | Amount | Transaction terms | |
| 1 | TOP STAR TEXTILE LIMITED | TOP SPORTS TEXTILE LTD. | 3 | Purchases | \$ 1,068,278 | - | 14.40 |
| 1 | TOP STAR TEXTILE LIMITED | TOP SPORTS TEXTILE LTD. | 3 | Accounts payable | 294,066 | - | 6.05 |
| 1 | TOP STAR TEXTILE LIMITED | GUANGZHOU RUNWELL KNITS TEXTILE | 3 | Purchases | 2,099,865 | - | 28.31 |
| 1 | TOP STAR TEXTILE LIMITED | GUANGZHOU RUNWELL KNITS TEXTILE | 3 | Accounts payable | 215,456 | - | 4.44 |
| 2 | GUANGZHOU RUNWELL KNITS TEXTILE | CHINTEX ENTERPRISES LIMITED | 3 | Purchases | 2,055,594 | - | 27.71 |
| 2 | GUANGZHOU RUNWELL KNITS TEXTILE | CHINTEX ENTERPRISES LIMITED | 3 | Accounts payable | 172,563 | - | 3.55 |

Note 1: The numbers filled in for the transaction company in respect of inter-company transactions are as follows:

(1) Parent company is '0'.

(2) The subsidiaries are numbered in order starting from '1'.

Note 2: Relationship between transaction company and counterparty is classified into the following three categories; fill in the number of category each case belongs to (If transactions between parent company and subsidiaries or between subsidiaries refer to the same transaction, it is not required to disclose twice. For example, if the parent company has already disclosed its transaction with a subsidiary, then the subsidiary is not required to disclose the transaction; for transactions between two subsidiaries, if one of the subsidiaries has disclosed the transaction, then the other is not required to disclose the transaction.):

(1) Parent company to subsidiary.

(2) Subsidiary to parent company.

(3) Subsidiary to subsidiary.

Note 3: Regarding percentage of transaction amount to consolidated total operating revenues or total assets, it is computed based on period-end balance of transaction to consolidated total assets for balance sheet accounts and based on accumulated transaction amount for the period to consolidated total operating revenues for income statement accounts.

Note 4: The Company may decide to disclose or not to disclose transaction details in this table based on the Materiality Principle.

TST Group Holding Ltd. and Subsidiaries
Information on investees
Year ended December 31, 2021

Table 8

Expressed in thousands of NTD

(Except as otherwise indicated)

| Investor | Investee (Notes 1 and 2) | Location | Main business activities | Initial investment amount | | Shares held as at December 31, 2021 | | | Net profit (loss) of the investee for the year ended December 31, 2021 (Note 2(2)) | Investment income (loss) recognised by the Company for the year ended December 31, 2021 (Note 2(3)) | Footnote |
|-------------------------------------|--|------------------------|-----------------------------|------------------------------------|------------------------------------|-------------------------------------|---------------|------------|--|---|------------------------|
| | | | | Balance as at December 31, 2021 | Balance as at December 31, 2020 | Number of shares | Ownership (%) | Book value | | | |
| | | | | | | | | | | | |
| TST Group Holding Ltd. | BUMPER WORLD GROUP HOLDINGS LIMITED | British Virgin Islands | Holding Company | \$ 689,540 | \$ 689,540 | 23,000,000 | 100.00 | \$ 455,491 | \$ 112,585 | \$ 99,164 | Subsidiary |
| TST Group Holding Ltd. | TST International Group Limited | British Virgin Islands | Holding Company | 209,860 | 209,860 | 7,000,000 | 100.00 | 2,020,589 | 256,929 | 256,929 | Subsidiary |
| TST International Group Limited | THRIVE NATION GROUP LIMITED | British Virgin Islands | Holding company | 421,600 | 227,840 | 15,000,000 | 100.00 | 412,785 (| 7,337) (| 7,337) | Second-tier subsidiary |
| BUMPER WORLD GROUP HOLDINGS LIMITED | TOP SPORTS TEXTILE LTD. | Cambodia | Manufacture of textile | 660,660 | 660,660 | 22,000,000 | 100.00 | 499,079 | 112,318 | 112,318 | Second-tier subsidiary |
| TST International Group Limited | TOP STAR TEXTILE LIMITED | Hong Kong | Sale of textile | 110,097 | 110,097 | 30,000,000 | 100.00 | 562,564 | 230,494 | 230,494 | Second-tier subsidiary |
| TOP STAR TEXTILE LIMITED | TOP STAR TEXTILE VIETNAM COMPANY LIMITED | Vietnam | Manufacture of textile | 30,040 | 30,040 | - | 100.00 (| 12,084) (| 11,827) (| 11,827) | Second-tier subsidiary |
| THRIVE NATION GROUP LIMITED | Top Sports Textile Vietnam Company Limited | Vietnam | Manufacture of textile | 401,360 | - | - | 100.00 | 399,157 (| 7,238) (| 7,238) | Second-tier subsidiary |

Note 1: If a public company is equipped with an overseas holding company and takes consolidated financial report as the main financial report according to the local law rules, it can only disclose the information of the overseas holding company about the disclosure of related overseas investee information.

Note 2: If situation does not belong to Note 1, fill in the columns according to the following regulations:

- (1)The columns of 'Investee', 'Location', 'Main business activities', 'Initial investment amount' and 'Shares held as at December 31, 2021' should fill orderly in the Company's (public company's) information on investees and every directly or indirectly controlled investee's investment information, and note the relationship between the Company (public company) and its investee each (ex. direct subsidiary or indirect subsidiary) in the 'footnote' column..
- (2)The 'Net profit (loss) of the investee for the year ended December 31, 2021' column should fill in amount of net profit (loss) of the investee for this period.
- (3)The 'Investment income (loss) recognised by the Company for the year ended December 31, 2021' column should fill in the Company (public company) recognised investment income (loss) of its direct subsidiary and recognised investment income (loss) of its investee accounted for under the equity method for this period. When filling in recognised investment income (loss) of its direct subsidiary, the Company (public company) should confirm that direct subsidiary's net profit (loss) for this period has included its investment income (loss) which shall be recognised by regulations.

TST Group Holding Ltd. and Subsidiaries
Information on investments in Mainland China
Year ended December 31, 2021

Table 9

Expressed in thousands of NTD
(Except as otherwise indicated)

| Investee in Mainland China | Main business activities | Paid-in capital | Investment method (Note 1) | Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2021 | Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the year ended December 31, 2021 | | Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2021 | Net income of investee for the year ended December 31, 2021 | Ownership held by the Company (direct or indirect) | Investment income (loss) recognised by the Company for the year ended December 31, 2021 (Note 2) | Book value of investments in Mainland China as of December 31, 2021 | Accumulated amount of investment income remitted back to Taiwan as of December 31, 2021 | Footnote |
|---|-----------------------------------|--|---|--|--|----------------------------|--|--|---|--|---|---|----------------------|
| | | | | | Remitted to Mainland China | Remitted back to Taiwan | | | | | | | |
| GUANGZHOU RUNWELL KNITS TEXTILE | Sale of textile | \$ 62,560 | 2 | \$ - | \$ - | \$ - | \$ - | \$ 8,469 | 100.00 | \$ 8,469 | \$ 100,755 | \$ - | Notes 2(2)B and 4 |
| CHINTEX ENTERPRISES LIMITED | Sale of textile | 163,473 | 2 | - | - | - | - | 15,094 | 100.00 | 15,094 | 488,070 | - | Notes 2(2)B and 4 |
| GUANGZHOU CHINTEX MANAGEMENT CONSULTING CO., LTD. | Management consulting services | 4,341 | 2 | - | - | - | - | 2,362 | 100.00 | 2,362 | 16,900 | - | Notes 2(2)B and 5 |
| HUBEI CHUNG SHENG TEXTILE CO., LTD. | Sale of textile | 16,498 | 2 | - | - | - | - | - | 35.00 | - | - | - | Notes 2(2)C and 5 |
| Company name | | Investment amount approved by the Investment Commission of the Ministry of Economic Affairs(MOEA) | Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA | | | | | | | | | | |
| | | | | | | | | | | | | | |
| - | Note 6 | Note 6 | Note 6 | | | | | | | | | | |

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

- (1)Directly invest in a company in Mainland China..
- (2) Through investing in an existing company in the third area, which then invested in the investee in Mainland China.
- (3) Others

Note 2: In the ‘Investment income (loss) recognised by the Company for the year ended December 31, 2021’ column:

- (1)It should be indicated if the investee was still in the incorporation arrangements and had not yet any profit during this period.
- (2)Indicate the basis for investment income (loss) recognition in the number of one of the following three categories:
 - A.The financial statements were audited and attested by international accounting firm which has cooperative relationship with accounting firm in R.O.C.
 - B.The financial statements were audited and attested by R.O.C. parent company’s CPA.
 - C.Others.

Note 3: The numbers in this table are expressed in New Taiwan Dollars.

Note 4: Invest through TST International Group Limited.

Note 5: Invest through CHINTEX ENTERPRISES LIMITED.

Note 6: The Company is not the company established in Republic of China, which is not applicable.

TST Group Holding Ltd. and Subsidiaries
Significant transactions conducted with investees in Mainland China directly or indirectly through other companies in the third areas
Year ended December 31, 2021

Table 10

Expressed in thousands of NTD
(Except as otherwise indicated)

| Investee in Mainland China | Sale (purchase) | | Property transaction | | Accounts receivable (payable) | | Provision of endorsements/guarantees or collaterals | | Financing | | | | |
|--|-----------------|-------|----------------------|---|------------------------------------|------|---|---------|---|------------------------------------|---------------|---|--------|
| | Amount | % | Amount | % | Balance at December 31, 2021 | % | Balance at December 31, 2021 | Purpose | Maximum balance during the year ended December 31, 2021 | Balance at December 31, 2021 | Interest rate | Interest during the year ended December 31, 2021 | Others |
| GUANGZHOU RUNWELL (\$ KNITS TEXTILE | 2,099,865) | 28.31 | \$ - | - | (\$ 215,456) | 4.44 | \$ - | - | \$ - | \$ - | - | \$ - | - |
| CHINTEX ENTERPRISES LIMITED | - | - | - | - | - | - | 431,134 | - | 83,040 | 83,040 | 4% | - | - |

TST Group Holding Ltd. and Subsidiaries

Major shareholders information

December 31, 2021

Table 11

| Name of major shareholders | Shares | Ownership (%) |
|----------------------------|-----------------------|---------------|
| | Number of shares held | |
| Xingmao Group | 10,640,000 | 33.77% |
| LIN CHIN-MAO | 2,570,000 | 8.15% |
| Big Loyal Group | 2,070,000 | 6.57% |
| Excellent Treat Limited | 2,000,000 | 6.34% |

Note 1: The major shareholders information was derived from the data that the Company issued common shares (including treasury shares) and preference shares in dematerialised form which were registered and held by the shareholders above 5% on the last operating date of each quarter and was calculated by Taiwan Depository & Clearing Corporation. The share capital which was recorded on the financial statements may be different from the actual number of shares in dematerialised form due to the difference in calculation basis.

Note 2: If the aforementioned data contains shares which were held in trust by the shareholders, the data was disclosed as separate account of client which was set by the trustee. As for the shareholder who reports share equity as an insider whose shareholding ratio greater than 10% in accordance with Securities and Exchange Act, the shareholding ratio includes the self-owned shares and shares held in trust, at the same time, the shareholder has the power to decide how to allocate the trust assets. For the information of reported share equity of insider, please refer to Market Observation Post System.