

Stock Code: 1419



Shinkong Textile Co., Ltd.

2020 Annual Report

Notice to readers

This English-version is a summary translation of the Chinese version and is not an official document of the shareholders' meeting. If there is any discrepancy between the English and Chinese versions, the Chinese version shall prevail.

Printed on April 30, 2021

Annual Report is available at: <http://mops.twse.com.tw>

Company website : <http://www.sktextile.com.tw>

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3. Stock transfer agent

Name: Stock Affairs Agency Department of Taishin International
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Address: B1, No. 96, Sec. 1, Jianguo N. Rd., Jhongshan Dist., Taipei
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4. Audit of the latest financial statements

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Accounting firm: Deloitte & Touche
Address: 20F., No. 100, Songren Rd., Xinyi Dist., Taipei City 110,
Taiwan (R.O.C.)
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5. Name of overseas exchange where securities are listed and method of inquiry: N/A

6. Company website

<http://www.sktextile.com.tw>

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Chapter I. Letter to Shareholders

Dear Shareholders,

Looking back on 2020, COVID-19 put international travels on hold while lockdown measures resulted in the closing of retail stores. The global trade was disrupted in the second quarter of 2020. Although the online shops sustained commercial activities, the textile fashion industry was severely hit. In the fight against COVID-19, people turned to sports making yoga, running, and hiking more popular. Thus, the demand for sportswear did not decline significantly. As for the domestic retail market, business activities were not greatly affected due to effective preventive measures. As people could no longer enjoy international travels, domestic purchases actually increased and the retail market thus benefited from the growth momentum. In summary, the domestic textile industry experienced declines in export sales but growth in domestic sales in 2020.

Under the impact of COVID-19, the Marketing Department of Shinkong Textile Co., Ltd. (hereinafter, the Company) suffered only a slight decrease of 3.8% in export sales while the Retail Department enjoyed a significant boost of 17.9% in domestic retail market. The consolidated operating revenue rose by 3.15% year-over-year and the operating income surged 44.12% compared to 2019.

Details on production and sales are stated as follows:

I. Production:

During the year, we produced 2,790,694 yards of fabrics, a decrease of 595,699 yards compared to 3,386,393 yards in 2019, and 9,624,121 yards went through finishing, a decrease of 520,981 yards compared to 10,145,102 yards in the previous year.

II. Sales:

The parent company only net sales amounted to NT\$1,946,096 thousand,

up NT\$54,430 thousand from NT\$1,891,666 thousand in 2019, representing 101.77% of the budget.

A summary on the operation of the parent company's business units is as follows:

(I) Marketing Department: It mainly engages in the export of finished fabrics. Revenue for the period amounted to NT\$1,159,247 thousand, a 3.81% drop year-over-year, representing 97.46% of the budget. Declines in this segment came from decreases in fashion/lifestyle fabrics, while growth was generated from increases in sportswear fabrics. As these two factors offset each other, the overall revenue avoided a significant decline.

(II) Retail Department: It focuses on retails in the domestic apparel market. Revenue for the period amounted to NT\$633,895 thousand, a 17.92% increase year-over-year, representing 110.54% of the budget. The growth was attributable to the shift to domestic purchases as international travels diminished. Sales had increased significantly on all brands of the Retail Department.

(III) Construction Department: Revenue for the period amounted to NT\$152,954 thousand, a 2.74% increase year-over-year, representing 104% of the budget.

The consolidated operating revenue for 2020 amounted to NT\$2,149,213 thousand, an increase of NT\$65,632 thousand year-over-year, representing 102.61% of the budget. Net income attributable to owners of the Company was NT\$365,025 thousand.

III. Operation Performance Based on Business Plans, Implementation Status of the Budget and Profitability Analysis:

(I) Operation performance based on business plans in 2020:

(In Thousands of New Taiwan Dollars)

Item \ Year	2020	2019	Variance
Net operating revenue	2,149,213	2,083,581	65,632
Cost of goods sold	1,526,091	1,488,769	37,322
Gross profit	623,122	594,812	28,310
Operating expenses	459,573	481,444	(21,871)
Other income and expenses, net	(102)	41	(143)
Operating income (loss), net	163,447	113,409	50,038
Non-operating income and expenses, net	232,509	264,383	(31,874)
Income before tax	395,956	377,792	18,164
Net income	364,492	378,820	(14,328)

(II) Implementation status of the budget: Pursuant to the Regulations Governing the Publication of Financial Forecasts of Public Companies, the Company does not have to prepare 2021 financial forecasts. Thus, disclosure is not required.

(III) Financial position and profitability analysis:

Item \ Year	2020	2019	Percentage of Increase (Decrease)	
Return on assets	2.92	3.19	(8.46)	
Return on equity	4.09	4.42	(7.47)	
To paid-in capital ratio (%)	Operating income	5.44	3.77	44.30
	Net income before tax	13.20	12.57	4.85
Net margin	16.96	18.18	(6.71)	
Earnings per share (NT\$)	1.22	1.29	(5.43)	

IV. 2021 Business Plan Overview:

The Company managed to mitigate the COVID-19 impact as it maintained excellent market diversification in the past. Our domestic and export sales remained competitive in the first quarter of 2021. The impact of COVID-19 will diminish as vaccines become available to a greater population. We expect lockdown measures and restrictions to be lifted and a gradual recovery of the textile market in the second half of 2021. However, the delay in acquiring vaccines in Taiwan may hinder our progress of market expansion worldwide. We plan to adopt the following strategies to cope with market changes:

- (I) Export market: Besides strengthening product development, designing product packaging and promoting network optimization, we will not eliminate the possibility of recruiting overseas marketing personnel or agents to overcome issues associated with restrictions on face-to-face marketing and strive for more export opportunities.
- (II) Domestic sales: In order to make up for the disappointment of not being to travel and shop overseas, we will introduce better products to meet the domestic needs. We will also intensify our marketing campaigns to continuously increase our market share.
- (III) Inflation is a possibility due to excessive issuance of currencies after the global recovery. The appreciation or high volatility of New Taiwan dollars will bring greater challenges to domestic and export sales. Enhancing internal management and building the power of teamwork are also the top priorities.

On the whole, the dormant market will gradually recover in the post-COVID-19 era and it is likely to turn into a disorderly market. Although there will be plenty of business opportunities, the market will be relatively more volatile. How to avoid market risks and seize business

opportunities will be the greatest challenge this year.

V. Future Development Strategies, and Effect of External Competitions, Regulatory Environment, and the Overall Business Environment:

(I) Future development strategies

The trend of increasing awareness of ESG after the COVID-19 drove the Company to establish the ESG Department and appointed a chief officer in 2020. The department is committed to promote various improvement schemes for the Company to enjoy long-term competitiveness.

(1) Environmental: The Company launches various environmental governance measures and obtains a number of environmental protection certifications such as Bluesign and Higg. It also starts the Infinity Shirt Project (ISP) to promote 100% recyclable products.

(2) Social: Even under the impact of COVID-19, the Company insists on no pay cuts and no layoffs as well as initiates the direct hiring of foreign workers and zero costs for working in Taiwan policies for the Company to be more aligned with international labor standards and achieve sustainability.

(3) Governance: Governance of the Company heads toward transparency, openness, efficiency, and regulatory compliance as well as generates profits to contribute to the society and shareholders.

In summary, the Company's future development strategies will center around ESG.

(II) Effect of external competitions, regulatory environment, and the overall business environment

On average, listed textile companies in Taiwan declined by 18% in 2020 due to the pandemic. It was one of the industries severely hit by COVID-19.

However, signs of recovery emerged in the fourth quarter of 2020. The strong price rebound of upstream raw materials which started in the fourth quarter of 2020 continues into the first quarter of 2021 while some materials even experience shortage. This combines with appreciation of New Taiwan dollar breaching the NT\$28 mark and the textile industry' inability to raise prices as global economy has yet to recovered fully make the first half of 2021 the most difficult time for the industry. We hope New Taiwan dollar will remain stable in the second half of 2021.

Textile industry with products 100%-made in Taiwan will face fiercer competitions due to the signing of Regional Comprehensive Economic Partnership (RCEP). In addition to accelerating the speed of research and development as well as overseas sales, the Company must start to consider the feasibility of overseas production. Although the assessment was temporarily put on hold due to the pandemic, as lockdown measures ease, the Company shall speed up on the assessment to cope with international developments.

We wish you all good fortune and health.

Sincerely,

Chairman Hsing-En Wu

Chapter II. Company Profile

I. Date of Incorporation: June 6, 1955

II. Company History

In view of Taiwan's booming development in the textile industry, the Company's founder, Mr. Ho-Su Wu, and several business tycoons raised NT\$10 million to construct a plant in Taipie's Shilin District in April 1955. The initial setup was a capacity of 5,600 spindles to produce rayon yarns for the downstream weaving factory.

To expand the capacity, the Company raised NT\$10 million in March 1957, NT\$46 million in February 1962, NT\$54 million in March 1965, NT\$12 million in June 1966 and NT\$28 million in 1973. By 1973, the Shilin Plant was equipped with 50,120 spindles, 377 sewing machines, and 58 circular knitting machines.

As the export of natural fibers blended yarns and fabrics were gaining popularity, the Company acquired land in Daxi Township, Taoyuan County to construct the Taoyuan Plant in 1973. The ring spinning frames of 41,280 spindles from Zinser, a reputable West German brand, and 600 sets of wide weaving machines from Ruti, a top brand in Switzerland, were introduced, installed and tested successively in 1974. The Company raised NT\$160 million in 1974; NT\$100 million in 1975 and NT\$180 million in 1977. By 1977, the paid-in capital amounted to NT\$600 million and the two plants together owned 91,400 spindles, 1,027 sewing machines, and 58 knitting machines.

After 1977, 8,744 spindles and 28,104 spindles were added to the Shilin Plant and Taoyuan Plant respectively for optimal utilization of plant space. The overall spinning facilities reached 128,248 spindles, and the Company acquired another 40 sets of Sulzer weaving machines in 1984. The Company then raised NT\$400 million in 1985 to improve its financial structure. Another 54 sets of Sulzer weaving machines were acquired in 1988 to gradually replace the former shuttle looms. In 1988, as equipment at Shilin Plant were too old to remain effective, production was suspended in October 1988. The Company moved towards diversification and commenced leasing and sale of commercial buildings and public housing units constructed by commissioned builders.

In 1989, the Company completed the capital increase approved by the annual general meeting in 1988. After the cash capital increase and capitalization of capital surplus of NT\$200 million each, the paid-in capital amounted to NT\$1.4 billion.

In May 1990, the Company completed the issuance of 11,500,000 shares from cash capital increase and 14,000,000 shares for capitalization of capital surplus approved by the annual general meeting as well as the Securities Commission, Ministry of Finance in 1989. After the issuance of 34,500,000 shares in November for capitalization of capital surplus approved by the annual general meeting in 1990, the paid-in capital was NT\$2 billion and 66 sets of Sulzer weaving machines were acquired. In terms of spinning facilities, besides replacing old equipment, the Company adopted automation to gradually increase the production efficiency. The Company completed the capitalization of capital surplus of NT\$400 million in November 1991, NT\$240 million in July 1994 and NT\$264 million in July 1995 for a paid-in capital of NT\$2,904 million.

On April 1, 1996, production of the spinning department at Taoyuan Plant ceased completely.

In 2000, the Company retired 74 sets of old Sulzer weaving machines and acquired a set of filament warping, sizing and beaming machine as well as 30 sets of air-jet weaving machines and 10 sets of rapier weaving machines to improve efficiency and expand capacity for orders. In 2001, Sulzer weaving machines failing to generate economic benefits were retired.

The retail business division was established in May 2004.

In September 2006, the Company completed the issuance of 7,260,000 shares for capitalization of earnings approved by the annual general meeting, resulting in a paid-in capital of NT\$2,976.6 million.

In September 2007, the Company completed the issuance of 2,381,280 shares for capitalization of earnings approved by the annual general meeting, resulting in a paid-in capital of NT\$3,000,412,800.

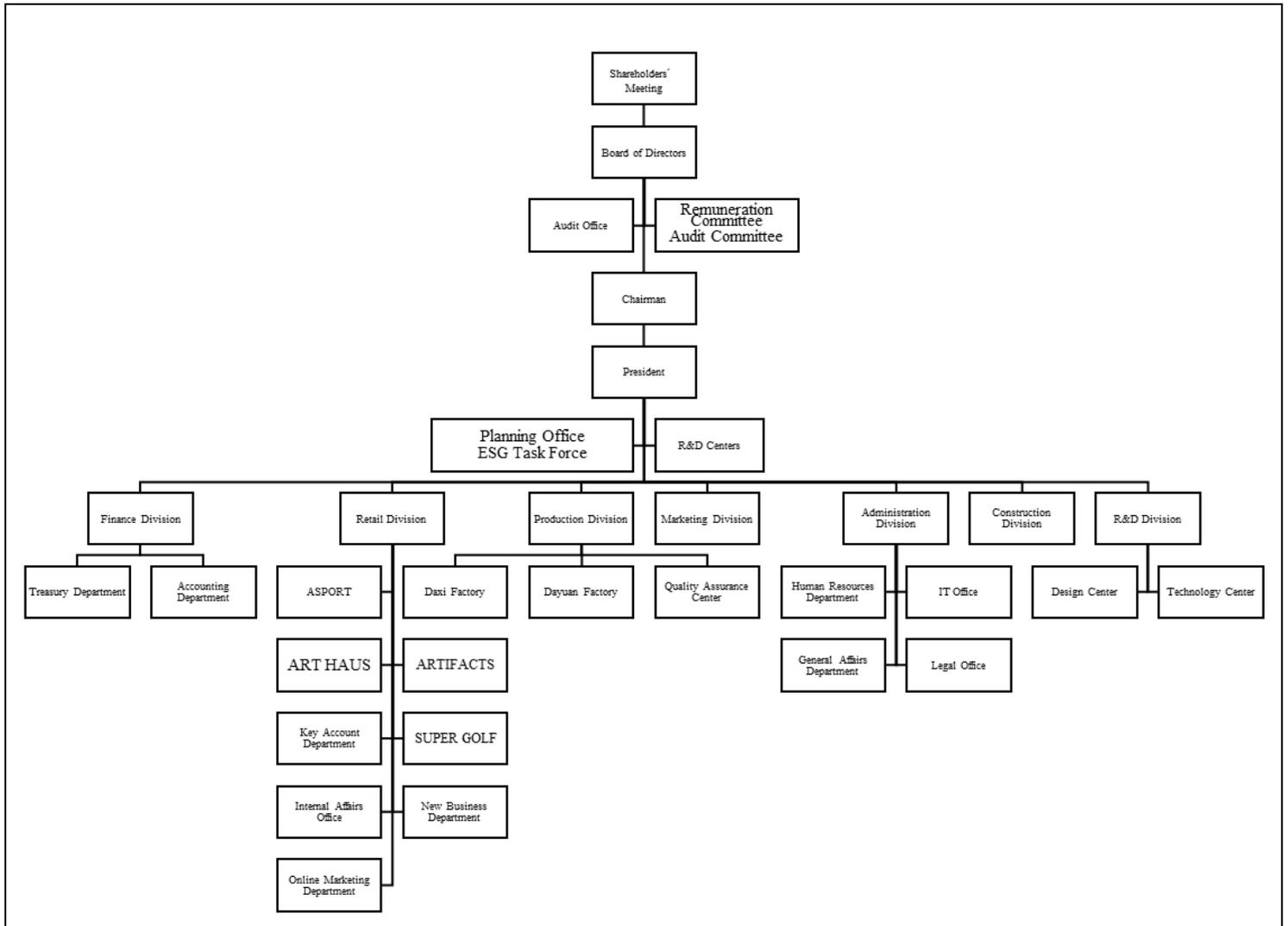
In November 2011, the Company acquired 30 sets of rapier weaving machines and in August 2012, it commenced the construction of a finishing plant at the Dayuan Industrial Park. In 2013, the Company acquired automated dyeing and finishing equipment as well as digital textile printing machines.

Except for the aforementioned disclosures, the Company did not engage in any mergers and acquisitions, investment in associates, reorganization, substantial transfer or replacement of equity interests of directors, supervisors or shareholders holding more than 10% of the Company's shares, changes in management, significant changes in operation or business and other important matters that may affect shareholders' interests during the most recent year and as of the date of this annual report.

Chapter III. Corporate Governance

I. Organization

(I) Organizational Structure



(II) Functions

Departments	Functions
Marketing Division	Domestic and overseas sales of finished fabrics, market extension and export-related businesses.
Retail Division	Expansion of directly operated stores and channels as well as counter sales and management in the domestic market. New brand and product development and quarterly procurement planning. Management of procurement, inventory, production delivery and product flows. Plan, design and production of group uniform and gift production.
Production Division	Management of matters associated with fabric weaving. Research and development of new products and improvement of quality and manufacturing process. Management of dyeing and finishing of fabrics as well as progress control.
R&D Centers	Development of key technologies. Acquisition and analysis of new materials. Development of new dyeing and finishing processes.
R&D Division	Development of new products, collection of fashion market information, and planning of domestic and overseas exhibitions.
Construction Division	Land development and real estate leasing.
Finance Division	Bookkeeping, review, analysis and retention of accounting records using computers, preparation and analysis of financial reports, tax treatments, and preparation, implementation and variance analysis of budgets. Safekeeping and management of petty cash and bank deposits; collection, issuance and safekeeping of notes, management of working capital as well as insurance for assets.
Administrati on Division	Planning, establishment and revision of the Company's system. Human resource planning and performance assessment. General affairs and material and equipment management. IT Office: Execution and planning of IT system development and maintenance.
Audit Office	Audit on the effectiveness of various internal control systems and recommendations for improvement.
Planning Office	Planning of strategies.

ESG Task Force	Strengthen the functions of the Board of Directors (the Board) to enhance the sustainable value of the enterprise, enhance information transparency to promote sustainable operations, strengthen communication with stakeholders through effective interaction channels, implement stewardship to align with international norms, and deepen a corporate culture of sustainable governance to promote corporate social responsibilities and sustainability.
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II. Information on Directors, Supervisors, President, Vice Presidents, Assistant Vice Presidents and Managers of Departments and Branches

(I) Directors

1. Directors

As of April 20, 2021

Title	Nationality or Place of Registration	Name	Gender	Date Elected	Term	Date First Elected	Shareholding When Elected		Current Shareholding		Spouse and Minor Children		Nominee Arrangement		Education and Selected Past Positions	Selected Present Positions at the Company and Other Companies	Managers, Directors or Supervisors Who are Spouses or within Second-Degree of Kinship to Each Other			Remark
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Chairman	R.O.C.	Ji Zhen Co., Ltd.	-	2020.06.19	3 years	2017.05.26	19,650,000	6.55	19,650,000	6.55	-	-	-	-	-	-	-	-	-	None
	R.O.C.	Representative: Hsing-En Wu	Male	2020.06.19		2009.06.19	0	0	0	0	0	0	201,000	0.07	Master of Materials Science and Engineering, University of California, Los Angeles Chairman of Shinkong Textile Co., Ltd. Chairman of Shinkong Asset Management Co., Ltd.	Note 1	Director	Hsing-Hung Wu	Brother	None
Director	R.O.C.	Representative: Hsin-Hung Wu	Male	2020.06.19		2009.03.18	0	0	0	0	0	0	0	0	MBA, Wharton School of the University of Pennsylvania Chairman of Shinkong Insurance Co., Ltd., Chairman of Shinkong Textile Co., Ltd. Chairman of Shin Kong Investment Trust Co., Ltd.	Note 2	Chairman	Hsing-En Wu	Brother	None
Director	R.O.C.	Representative: Chin-Fa Chiu	Male	2020.07.01		2003.06.05	290	0	290	0	0	0	0	MBA, National Taiwan	Note 3	-	-	-	None	

Title	Nationality or Place of Registration	Name	Gender	Date Elected	Term	Date First Elected	Shareholding When Elected		Current Shareholding		Spouse and Minor Children		Nominee Arrangement		Education and Selected Past Positions	Selected Present Positions at the Company and Other Companies	Managers, Directors or Supervisors Who are Spouses or within Second-Degree of Kinship to Each Other			Remark
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation	
														University President of Shinkong Textile Co., Ltd. Executive Vice President of Ruentex Industries Co., Ltd.						
Director	R.O.C.	Shin Kong Wu Tung Ching Foundation	-	2020.06.19	3 years	2009.06.19	51,660	0.02	51,660	0.02	-	-	-	-			-	-	-	None
	R.O.C.	Representative: Po-Han Lin	Male	2021.01.07		2011.01.07	0	0	0	0	0	0	0	0	0	Master of Business Administration, Meiji University Chairman of Shinkong Lohas Co., Ltd., Director of Shin Kong Financial Holding	Chairman of Shinkong Lohas Co., Ltd., Director of Shin Kong Financial Holding	-	-	-
Independent Director	New Zealand	Hon-Kit Shing	Male	2020.06.19	3 years	2007.05.26	0	0	0	0	0	0	0	Bachelor of Economics, Massachusetts Institute of Technology Member of the Visiting Committee Economics Dept., Massachusetts Institute of Technology Chairman and President of Cottonwood Management, LLC Vice Chairman	Chairman and President of Cottonwood Management, LLC	-	-	-	None	

Title	Nationality or Place of Registration	Name	Gender	Date Elected	Term	Date First Elected	Shareholding When Elected		Current Shareholding		Spouse and Minor Children		Nominee Arrangement		Education and Selected Past Positions	Selected Present Positions at the Company and Other Companies	Managers, Directors or Supervisors Who are Spouses or within Second-Degree of Kinship to Each Other			Remark
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation	
														of TISCO Financial Group Public Company Limited						
Independent Director	R.O.C.	Mao-Jung Wang	Male	2020.06.19	3 years	2020.06.19	0	0	0	0	0	0	0	0	Bachelor of Accounting, Soochow University, Senior Consultant of Ventec International Group Director and CFO of COSMO Electronics Corporation Director and CFO of Zinwell Corporation	Independent Director of MasterLink Securities Corporation	-	-	-	None

Title	Nationality or Place of Registration	Name	Gender	Date Elected	Term	Date First Elected	Shareholding When Elected		Current Shareholding		Spouse and Minor Children		Nominee Arrangement		Education and Selected Past Positions	Selected Present Positions at the Company and Other Companies	Managers, Directors or Supervisors Who are Spouses or within Second-Degree of Kinship to Each Other			Remark
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Independent Director	U.S.A.	David Ching	Male	2020.06.19	3 years	2019.06.14	0	0	0	0	0	0	0	0	Bachelor of Management Science, University of California, San Diego Founder and President of Violet Lake Pavilion Hotel, Thousand Island Lake, China Founder and President of Ivy Lake View Hotel, Thousand Island Lake, China First Vice President of Corporate Banking Department, Bank of China (China) Limited, Hangzhou Branch	President of Violet Lake Pavilion Hotel, Thousand Island Lake, China	-	-	-	None

Note 1: Chairman of Shinkong Asset Management Co., Ltd., Director of Shinkong Synthetic Fibers Corporation, and Director of Shinkong Mitsukoshi Department Store Co., Ltd.
Note 2: Chairman of Shinkong Insurance Co., Ltd., and Director of ShinKong Co., Ltd.
Note 3: President of Shinkong Textile Co., Ltd., Director of Chyang Sheng Dyeing & Finishing Co., Ltd. and Director of TAINET Communication System Corp.

2. Major shareholders of corporate shareholders

As of April 20, 2021

Name of Corporate Shareholder	Major Shareholders of Corporate Shareholders	
	Name	Shareholding %
Ji Zhen Co., Ltd.	Cheng Cheng Co.,Ltd.	41.546%
	Cheng Qian Co.,Ltd.	40.207%
	Tzu Ching Co.,Ltd.	18.245%
	Jo-Nan,Sun	0.001%
	Tung-Hsien Wu	0.001%
	Hsin-Hung Wu	-
	Hsing-En Wu	-
Shin Kong Wu Tung Ching Foundation	N/A	-

3. Major shareholders of the "Major Shareholders of Corporate Shareholders" in the table above

Name of Corporate Shareholder	Major Shareholders of Corporate Shareholders	
	Name	Shareholding %
Cheng Cheng Co.,Ltd.	Yung Le Co.,Ltd.	33.33%
	Chuan Neng Co.,Ltd.	33.33%
	Huan Sung Co.,Ltd.	33.33%
Cheng Qian Co.,Ltd.	Fu Yu Pu Co.,Ltd.	50.00%
	Fu Yu Tien Co.,Ltd.	50.00%
Tzu Ching Co.,Ltd.	Jo-Nan,Sun	92.59%
	Tung-Hsien Wu	7.41%

4. Expertise and Independence Status of Directors

As of April 20, 2021

Name	Over Five Years of Work Experience and the Following Professional Qualifications			Independence Status (Note)												Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
	An Instructor or 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 Private Junior College, College or University	A Judge, Public Prosecutor, Attorney, CPA, or Other Professional Specialist Who Has Passed a National Examination with a Certificate in a Profession Necessary for the Business of the Company	With Work Experience in the Areas 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	
Hsing-En Wu	No	No	Yes			v			v	v	v	v		v	0	
Hsin-Hung Wu	No	No	Yes	v		v			v	v	v	v		v	0	
Chin-Fa Chiu	No	No	Yes			v	v	v	v	v	v	v	v	v	0	
Po-Han Lin	No	No	Yes	v		v	v	v	v	v	v	v	v	v	0	
Hon-Kit Shing	No	No	Yes	v	v	v	v	v	v	v	v	v	v	v	0	
Mao-Jung Wang	No	No	Yes	v	v	v	v	v	v	v	v	v	v	v	1	
David Ching	No	No	Yes	v	v	v	v	v	v	v	v	v	v	v	0	

Note: Please tick the corresponding boxes if directors or supervisors have met any of the following

conditions during the two years prior to being elected or during the term 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. (Not applicable in cases where the person is an Independent Director appointed in accordance with the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies or the laws of the country where the business is located by, and concurrently serve as such at, the Company, its parent company, subsidiary, or subsidiaries that belong to the same parent company.)
- (3) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or nominee arrangement, in an aggregate amount of 1% or more of the Company's total number of issued shares or ranks among the Company's top ten shareholders.
- (4) Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of managerial officers in (1) or of any of the persons in (2) and (3).
- (5) Not a director, supervisor, or employee of a corporate shareholder that directly holds 5% or more of the Company's total number of issued shares, ranks among the Company's top five shareholders, or appoints representatives to be the Company's directors or supervisors pursuant to Paragraph 1 or 2, Article 27 of the Company Act. (Not applicable in cases where the person is an Independent Director appointed in accordance with the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies or the laws of the country where the business is located by, and concurrently serve as such at, the Company, its parent company, subsidiary, or subsidiaries that belong to the same parent company.)
- (6) Not a director, supervisor, or employee of a company whose majority of directorships or voting rights are controlled by a shareholder who also controls the majority of directorships or voting rights of the Company. (Not applicable in cases where the person is an Independent Director appointed in accordance with the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies or the laws of the country where the business is located by, and concurrently serve as such at, the Company, its parent company, subsidiary, or subsidiaries that belong to the same parent company.)
- (7) Not a director, supervisor or employee of a company or institution whose chairperson, president, or an officer of equivalent position is the same person as, or a spouse to, one of the persons holding the same positions in the Company. (Not applicable in cases where the person is an Independent Director appointed in accordance with the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies or the laws of the country where the business is located by, and concurrently serve as such at, the Company, its parent company, subsidiary, or subsidiaries that belong to the same parent company.)
- (8) Not a director, supervisor, managerial officer, or shareholder with shareholding of 5% or more of a specific company or institution that has a financial or business relationship with the Company. (Not applicable in cases where the specific company or institution owns 20% (inclusive) to 50% (exclusive) of the Company's total number of issued shares, and the person is an Independent Director appointed in accordance with the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies or the laws of the country where the business is located by, and concurrently serve as such at, the Company, its parent company, subsidiary, or subsidiaries that belong to the same parent company)
- (9) Not a professional individual who, nor an owner, partner, director, supervisor, or managerial officer of a sole proprietorship, partnership, company, or institution that provides auditing services to the Company or its affiliates, or provides commerce, law, finance, accounting or related services to the Company or its affiliates with a cumulative compensation under NT\$500,000 in the past two years, nor a spouse thereof. However, this requirement is not applicable where members of the Remuneration Committee, Public

Tender Offer Review Committee, or Special Committee for Merger/Acquisition perform duties pursuant to laws and regulations in association with the Securities and Exchange Act or the Business Mergers and Acquisitions Act.

- (10) Not a spouse or a relative within the second degree of kinship to any other director of the Company.
- (11) Not being a person of any conditions defined in Article 30 of the Company Act.
- (12) Not a governmental, juridical person or its representative as defined in Article 27 of the Company Act.

(II) Information on President, Vice Presidents, Assistant Vice Presidents and Managers of Departments and Branches

As of April 20, 2021

Title	Nationality	Name	Gender	Date Elected	Shareholding		Spouse and Minor Children		Nominee Arrangement		Education and Selected Past Positions	Selected Present Positions at Other Companies	Managers Who are Spouses or within Second-Degree of Kinship to Each Other			Remark
					Shares	% (%)	Shares	% (%)	Shares	% (%)			Title	Name	Relation	
President	R.O.C.	Chin-Fa Chiu	Male	2003.01.02	290 shares	0	0	0	0	0	MBA, National Taiwan University Executive Vice President of Ruentex Industries Co., Ltd.	Director of Chyang Sheng Dyeing & Finishing Co., Ltd. Director of TAINET Communication System Corp.	-	-	-	None
Vice President	R.O.C.	Cheng-Yao Lee	Female	2021.01.04	0 share	0	0	0	0	0	EMBA, National Taiwan University Senior Vice President of Li & Fung (Taiwan) Ltd.	None	-	-	-	None

Vice President	R.O.C.	Shu-Ti Chang	Female	2009.09.01	20 shares	0	0	0	0	0	Bachelor of Business Administration, SooChow University Administration Division of Shinkong Textile Co., Ltd.	Director of Shinkong Asset Management Co., Ltd.	-	-	-	None
Assistant Vice President	R.O.C.	Su-Chuan Ko	Female	2009.09.01	1,230 shares	0	0	0	0	0	Bachelor of Accounting, SooChow University Finance Division/Audit Office of Shinkong Textile Co., Ltd.	None	-	-	-	None
Assistant Vice President	R.O.C.	Yung-Hsin Huang	Male	2017.03.01	0 share	0	0	0	0	0	Master of Business Administration, Chung Yuan Christian University Deputy Factory Manager of Hualon Corporation	None	-	-	-	None

Assistant Vice President	R.O.C.	Chu-Ying Chen	Female	2017.08.01	0 share	0	0	0	0	0	Bachelor of Textiles and Clothing, Fu Jen Catholic University Retail Division of Shinkong Textile Co., Ltd.	None	-	-	-	None
Assistant Vice President	R.O.C.	Jen-Tsung Wang	Male	2020.08.16	0 share	0	0	0	0	0	Master of Business Administration, National Taipei University Retail Division of Shinkong Textile Co., Ltd.	None	-	-	-	None

III. Remuneration Paid to Directors, Supervisors, President and Vice Presidents

(I) Remuneration Paid to Directors

(In Thousands of New Taiwan Dollars)

Title	Name	Remuneration to Directors								Total of A, B, C and D as a % of Net Income		Compensation Earned by Being an Employee								Total of A, B, C, D, E, F and G as a % of Net Income		Compensation from Non-consolidated Affiliates or Parent Company		
		Base Compensation (A)		Severance Pay and Pensions (B)		Compensation to Directors (C)		Allowances (D)				Base Compensation, Bonus and Allowances, etc. (E)		Severance Pay and Pensions (F)		Employee Compensation (G)								
		The Company	All Consolidated Entities	The Company	All Consolidated Entities	The Company	All Consolidated Entities	The Company	All Consolidated Entities	The Company	All Consolidated Entities	The Company	All Consolidated Entities	The Company	All Consolidated Entities	Cash	Stock	Cash	Stock	The Company	All Consolidated Entities			
Chairman	Ji Zhen Co., Ltd. Representative: Hsing-En Wu																							
Director	Ji Zhen Co., Ltd. Representative: Hsin-Hung Wu																							
Director	Ji Zhen Co., Ltd. Representative: Chin-Fa Chiu (newly elected)																							
Director	Ji Zhen Co., Ltd. Representative: Kuo-Hua Chao (re-elected)	1168	1456	0	0	7400	7400	0	0	2.35%	2.43%	11660	20182	162	317	267	0	994	0	5.66%	1168			
Director	Shin Kong Wu Tung Ching Foundation Representative: Chia-Shi Lo (Note)																							
Independent Director	Hsin-Chun Yen (re-elected)																							
Independent Director	Mao-Jung Wang (newly elected)																							
Independent Director	Hon-Kit Shing																							
Independent Director	David Ching																							

1. Please state the policy, system, standard and structure of remuneration paid to Independent Directors and the correlation between factors such as responsibilities and risks assumed as well as time contributed and the amount of payment: The Company authorizes the Board to determine a fixed amount of remuneration to Independent Directors based on the responsibilities and risks assumed, time contributed as well as industry average. Independent Directors do not participate in the Company's earnings distribution.

2. Except for information disclosed above, remuneration paid for services rendered by Directors of the Company to all consolidated entities (e.g., being a nonemployee consultant) in the most recent year: None.

Note: Chia-Shi Lo was discharged on January 7, 2021. Po-Han Lin was the newly elected Director.

Remuneration Paid to Directors

Ranges	Name of Directors			
	Total of (A+B+C+D)		Total of (A+B+C+D+E+F+G)	
	The Company	All Consolidated Entities H	The Company	All Consolidated Entities I
Under NT\$1,000,000	Hsing-En Wu, Hsin-Hung Wu, Chin-Fa Chiu, Kuo-Hua Chao, Chia-Shi Lo, Hsin-Chun Yen, Hon-Kit Shing, David Ching, Mao-Jung Wang	Hsing-En Wu, Hsin-Hung Wu, Chin-Fa Chiu, Kuo-Hua Chao, Chia-Shi Lo, Hsin-Chun Yen, Hon-Kit Shing, David Ching, Mao-Jung Wang	Kuo-Hua Chao, Chia-Shi Lo, Hsin-Chun Yen, Hon-Kit Shing, David Ching, Mao-Jung Wang	Kuo-Hua Chao, Chia-Shi Lo, Hsin-Chun Yen, Hon-Kit Shing, David Ching, Mao-Jung Wang
NT\$1,000,000 ~ NT\$1,999,999	Shin Kong Wu Tung Ching Foundation	Shin Kong Wu Tung Ching Foundation	Shin Kong Wu Tung Ching Foundation	Shin Kong Wu Tung Ching Foundation
NT\$2,000,000 ~ NT\$3,499,999			Chin-Fa Chiu	Chin-Fa Chiu
NT\$3,500,000 ~ NT\$4,999,999	Ji Zhen Co., Ltd.	Ji Zhen Co., Ltd.	Hsin-Hung Wu Ji Zhen Co., Ltd.	Ji Zhen Co., Ltd.
NT\$5,000,000 ~ NT\$9,999,999			Hsing-En Wu	Hsing-En Wu, Hsin-Hung Wu
NT\$10,000,000 ~ NT\$14,999,999				
NT\$15,000,000 ~ NT\$29,999,999				
NT\$30,000,000 ~ NT\$49,999,999				
NT\$50,000,000 ~ NT\$99,999,999				
NT\$100,000,000 and above				
Total	11 (including 2 Corporate Directors)	11 (including 2 Corporate Directors)	11 (including 2 Corporate Directors)	11 (including 2 Corporate Directors)

(II) Remuneration Paid to Supervisors: Not applicable as the Company has set up an audit committee.

(III) Compensation Paid to President and Vice Presidents

(In Thousands of New Taiwan Dollars)

Title	Name	Salary (A)		Severance Pay and Pensions (B)		Bonus and Allowance (C)		Employee Compensation (D)				Total of A, B, C and D as a % of Net Income		Compensation from Non-consolidated Affiliates or Parent Company
		The Company	All Consolidated Entities	The Company	All Consolidated Entities	The Company	All Consolidated Entities	The Company		All Consolidated Entities		The Company	All Consolidated Entities	
								Cash	Stock	Cash	Stock			
President	Chin-Fa Chiu	4,936	5,080	203	203	2,102	2,134	267	-	447	-	2.06%	2.15%	-
Vice President	Shu-Ti Chang													

Compensation Paid to President and Vice Presidents

Ranges	Names of President and Vice Presidents	
	The Company	All Consolidated Entities
Under NT\$1,000,000		
NT\$1,000,000 ~ NT\$1,999,999		
NT\$2,000,000 ~ NT\$3,499,999	Shu-Ti Chang	Shu-Ti Chang
NT\$3,500,000 ~ NT\$4,999,999	Chin-Fa Chiu	Chin-Fa Chiu
NT\$5,000,000 ~ NT\$9,999,999		
NT\$10,000,000 ~ NT\$14,999,999		
NT\$15,000,000 ~ NT\$29,999,999		
NT\$30,000,000 ~ NT\$49,999,999		
NT\$50,000,000 ~ NT\$99,999,999		
NT\$100,000,000 and above		
Total	2	2

(IV) Employee Compensation to Managers

(In Thousands of New Taiwan Dollars)

	Title	Name	Stock	Cash	Total	Total as a % of Net Income
Managers	President	Chin-Fa Chiu	0	381	381	0.10%
	Vice President	Shu-Ti Chang				
	Assistant Vice President	Su-Chuan Ko				
	Assistant Vice President	Yung-Hsin Huang				
	Assistant Vice President	Chu-Ying Chen				
	Assistant Vice President	Jen-Tsung Wang				

(V) Analysis of remuneration and compensation paid to Directors, Supervisors, President and Vice Presidents by the Company and all consolidated entities in 2020 and 2019 as a percentage of net income in the parent company only or individual financial statements and explanation on remuneration policy, standards and composition, procedures and the correlation with operation performance and future risks are as follows:

Title	2019 Remuneration and compensation paid to Directors, Supervisors, President and Vice Presidents by the Company and all consolidated entities in 2020 and 2019 as a percentage of net income	2020 Remuneration and compensation paid to Directors, Supervisors, President and Vice Presidents by the Company and all consolidated entities in 2020 and 2019 as a percentage of net income
Directors, President and Vice Presidents	9.43%	10.47%

The Company's remuneration policy (including Directors, managers and employees) is as follows:

1. Remuneration to Directors and Independent Directors:

- (1) Fixed remuneration: In accordance with Article 16-1 of the Articles of Incorporation, the Directors of the Company receive remuneration in the course of performing their duties, regardless of whether the Company generates profits or loss. The Company authorizes the Board to determine the amount based on Directors' participation in and contribution to the operations as well as industry average.
- (2) Variable remuneration: In accordance with Article 27 of the Articles of Incorporation, after deducting the accumulated losses

from the profit of the year (i.e., the pre-tax profit before deducting the compensation to employees and remuneration to Directors and Supervisors), at least one percent of the balance, if any, shall be appropriated to compensation to employees and no more than five percentage can be appropriated to remuneration to Directors and Supervisors.

Independent Directors do not participate in the appropriation of remuneration to Directors as stipulated in Article 27 of the Company's Articles of Incorporation.

2. Managers: Remuneration is determined based on the positions held, responsibilities assumed, department performance and contribution to the overall performance of the Company.
3. Employees: Compensation to employees is determined according to their job function, work intensity and professional skills and in reference to the Company's Rules Governing the Compensation of Employees and Rules Governing the Appointment and Promotion of Employees.
4. Compensations of Directors and managers are regularly assessed and deliberated by the Company's Remuneration Committee and then submitted to the Board for approval.

IV. Corporate Governance Implementation

(I) Board of Directors' Meeting Status

A total of eight (A) Board meetings were convened in 2020.
The attendance status of the Directors are as follows:

Title	Name	Number of Meeting (A)	Attendance in Person (B)	Attendance by Proxy	Attendance Rate (%) (B/A)	Remark
Chairman	Ji Zhen Co., Ltd. Representative: Hsing-En Wu	8	0	8	100%	
Director	Ji Zhen Co., Ltd. Representative: Hsin-Hung Wu	8	0	8	100%	
Director	Shin Kong Wu Tung Ching Foundation Representative: Chia-Shi Lo	7	1	8	87.5%	
Director	Ji Zhen Co., Ltd. Representative: Kuo-Hua Chao	3	0	3	100%	Term expired on June 19, 2020
Director	Ji Zhen Co., Ltd. Representative: Shu-Ti Chang	1	0	1	100%	Newly elected on June 19, 2020 Term expired on July 1, 2020
Director	Ji Zhen Co., Ltd. Representative: Chin-Fa Chiu	4	0	4	100%	Newly elected on July 1, 2020
Independent Director	Hsin-Chun Yen	3	0	3	100%	Term expired on June 19, 2020
Independent Director	Mao-Jung Wang	5	0	5	100%	Newly elected on June 19, 2020
Independent Director	David Ching	8	0	8	100%	
Independent Director	Hon-Kit Shing	5	3	8	62.5%	

The attendance status of the Independent Directors in 2020

O:Attendance in Person △:Attendance by Proxy *: Absence

	17th meeting of the 22nd term on March 26, 2020	18th meeting of the 22nd term on May 7, 2020	19th meeting of the 22nd term on May 13, 2020	1st meeting of the 23rd term on June 24, 2020	2nd meeting of the 23rd term on July 9, 2020	3rd meeting of the 23rd term on August 12, 2020	4th meeting of the 23rd term on November 11, 2020	5th meeting of the 23rd term on December 23, 2020
Hsin-Chun Yen	O	O	O					
Mao-Jung Wang				O	O	O	O	O
David Ching	O	O	O	O	O	O	O	O
Hon-Kit Shing	O	O	△	O	O	△	△	O

Annotations:

I. The Board meeting's date, session, and contents of motions, opinions of all Independent Directors, and actions taken by the Company regarding the opinions shall be specified if one of the following circumstances occurs:

(I) Matters specified in Article 14-3 of the Securities and Exchange Act

The Company has established the Audit Committee pursuant to applicable laws. Article 14-3 of the Securities and Exchange Act is no longer applicable pursuant to Paragraph 1, Article 14-5 of the same Act. Refer to "Operations of Audit Committee" for a description of matters listed in Article 14-5 of the Securities and Exchange Act.

(II) Except for items specified above, other resolutions on which an Independent Director expresses objection or reservation, either by recorded statement or in writing:

Date	Session	Contents of Motions	Opinions of All Independent Directors and Actions Taken by the Company Regarding the Opinions
December 23, 2020	5th meeting of the 23rd term	To review the split-up of the Company's 100%-owned subsidiary, Shinkong Asset Management Co., Ltd. (Shinkong Asset)	<p>Discussion:</p> <p>Independent Director Mao-Jung Wang: The effect of the split-up was unclear and the motion was recommended to be postponed.</p> <p>Director Hsin-Hung Wu: The motion was considered necessary for the purpose of specialization within the Group and the strengthening of subsidiaries' business development. The split-up allowed the ownership of Hua Yang's real estate to be held by one person, which was beneficial for more favorable financing terms. Also, the major customer of Shinkong Asset's Real Estate Leasing II was in the automobile industry. Spinning off this segment to Hua Yang, which mainly engaged in the real estate leasing of the automobile industry, would benefit the business development of Hua Yang. Finally, the usage or public safety requirements of leasing real estate to the automobile industry are different from those for general commercial offices. Having the segment spun off to Hua Yang to be managed by professional managers would achieve greater efficiency.</p> <p>Director Chia-Shi Lo: Regulatory compliance work associated with</p>

			<p>the motion shall be completed and applicable tax laws and regulations shall be followed.</p> <p>Independent Director David Ching: I was in favor of the motion and recommended that the split-up shall be executed as soon as possible to avoid any impact on the Company's operational efficiency. Also, with the counterparty of the split-up being a 100%-owned subsidiary, problems were not expected. However, all major motions shall still be resolved by the parent company's Board of Directors.</p> <p>Independent Director Hon-Kit Shing: The motion was thoroughly discussed in the Audit Committee meeting and the Company shall benefit from the split-up. Thus, I was in favor of the motion.</p> <p>Resolution: As Director Hsing-En Wu was the representative of Hua Yang, he was recused from the discussion and voting of the motion. He appointed Director Hsin-Hung Wu to be the acting Chairman before the recusal. The Chairman had asked each attending Directors for their opinions and only Independent Director Mao-Jung Wang expressed objection while all other Director had approved the motion. Thus, it was approved as proposed.</p>
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II. The names of the Directors, contents of motions, reasons for recusal, and results of voting shall be specified where Directors are recused due to conflicts of interests:

Date	Session	Contents of Motions	Reasons for Recusal and Results of Voting
May 7, 2020	18th meeting of the 22nd term	To review the releasing of newly elected Directors from the non-compete restrictions.	Voting was held for individual Director candidate and the Director with conflict of interest was recused from the discussion and voting. (Director Kuo-Hua Chao was appointed the acting Chairman during the discussions concerning the Chairman and Director, Hsing-En Wu.) All the remaining Directors had approved the

			<p>motion. Thus, it was approved as proposed.</p> <p>Directors recused due to conflict of interest included Hsing-En Wu, Hsin-Hung Wu, Chia-Shi Lo and Kuo-Hua Chao, and Independent Directors recused included Hsin-Chun Yen, Hon-Kit Shing, and David Ching. The recorder, Shu-Ti Chang, was also recused.</p>
July 9, 2020	2nd meeting of the 23rd term	To appoint members of the Remuneration Committee.	<p>Except for Independent Directors, David Ching and Hon-Kit Shing, who recused themselves from the discussion and voting due to conflict of interest, all the remaining Directors had approved the motion upon enquiry made by the Chairman. Thus, it was approved as proposed.</p>
August 12, 2020	3rd meeting of the 23rd term	To provide guarantee for the Company's investee, Shang De Motor Co., Ltd., within the amount of NT\$ 72.36 million.	<p>As Directors Hsing-En Wu and Hsin-Hung Wu are the Director and Supervisor of Shang De Motor Co., Ltd., respectively, they were both recused from the voting. Director Hsing-En Wu appointed Director Chin-Fa Chiu to be the acting Chairman before the recusal. All the remaining Directors had approved the motion upon enquiry made by the acting Chairman. Thus, it was approved as proposed.</p>
		To discuss the remuneration to Independent Directors.	<p>Independent Directors, David Ching and Hon-Kit Shing, Mao-Jung Wang, were recused from the voting. All the remaining Directors had approved the motion upon enquiry made by the Chairman. Thus, it was approved as proposed.</p>
December 23, 2020	5th meeting of the 23rd term	To review the split-up of the Company's 100%-owned subsidiary, Shinkong Asset Management Co., Ltd. (Shinkong Asset)	<p>As Director Hsing-En Wu was the representative of Hua Yang, he was recused from the discussion and voting of the motion. He appointed Director Hsin-Hung Wu to be the acting Chairman before the recusal. The Chairman had asked each attending Directors for their opinions and only Independent Director Mao-Jung Wang expressed objection while all other Director had approved the motion. Thus, it was approved as proposed.</p>

III. A public company should disclose the frequency, period, scope, method, and details for the self (or peer) performance assessment of the Board and the implementation status in

following Table:

Performance assessment of the Board

Frequency	Period	Scope	Method	Details
Annually	November 1, 2019 to October 31, 2020	Performance assessment of the Board, individual Board members and Audit Committee	Results of Directors' self-assessment questionnaires, which adopt the 5-point rating scale, were used to calculate the average score of each aspect.	<p>(1) Performance assessment on the Board: Level of participation in corporate operations, quality of Board decisions, composition and structure of the Board, election and continuing education of Directors, and internal control.</p> <p>(2) Performance assessment on individual Board members: Command over corporate goals and mission, understanding of Directors' duties, level of participation in corporate operations, internal relationship management and communication, specialty and continuing education of Directors, and internal control.</p> <p>(3) Performance assessment on Audit Committees: Level of participation in corporate operations, understanding of functional committees' duties, quality of functional committees' decisions, composition of the functional committees and election of members,</p>

				and internal control.
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IV. Objectives of strengthening the functionality of the Board (e.g., to establish an audit committee, to enhance information transparency, etc.) in the current year and the most recent year and evaluation of the execution thereof:

- (1) All Directors had signed the "Statement on Compliance with the Ethical Corporate Management Policy" by December 2020.
- (2) The implementation status of ethical corporate management in 2020 reported in the Board meeting on December 23, 2020: Upon assessment, the Company's compliance with ethical corporate management was not significantly different from the "Ethical Corporate Management Best Practice Principles for TWSE/TPEX-Listed Companies" by the third quarter of 2020.
- (3) The corporate governance officer was appointed on December 23, 2020.
- (4) The ESG Task Force was established on December 23, 2020, and its communication with stakeholders will be reported to the Board once every year starting in 2021.
- (5) The Board assessment was carried out in November 2020. The results were reported in the Board meeting on March 30, 2021 and the public announcement and filing were completed.
- (6) The frequency of communication between audit officer and Independent Directors will be increased to once every quarter starting in 2021.

(II) Operations of Audit Committee
Operations of Audit Committee

A total of four (A) meetings were convened in 2020. The attendance status of Independent Directors are as follows:

Title	Name	Attendance in Person (B)	Attendance by Proxy	Number of Meeting (A)	Attendance Rate (%) (B/A) (Note)	Remark
Independent Director	Hsin-Chun Yen	2	0	2	100%	Term expired on June 19, 2020
Independent Director	Mao-Jung Wang	2	0	2	100%	Newly elected on June 19, 2020
Independent Director	David Ching	4	0	4	100%	
Independent Director	Hon-Kit Shing	3	1	4	75%	

Annotations:

I. Annual work plan

The Audit Committee comprises of three Independent Directors. Its purpose is to assist the Board with supervising the Company's quality and credibility in accounting, audit, financial reporting process, and financial control.

The Audit Committee held four meetings in 2020, and the major matters reviewed include:

1. Review of the financial statements
2. Audit of the business report and earnings distribution
3. Assessment on the effectiveness of the internal control system
4. Assessment on the independence and competence of CPAs
5. Review on the releasing of newly elected Independent Directors from the non-compete restrictions.
6. Review on the split-up of the Company's 100%-owned subsidiary, Shinkong Asset Management Co., Ltd.

- Review on financial reports, business report and earning distribution proposal
The Board has prepared the Company's 2019 business report, financial statements and earning distribution proposal. The financial statements have been audited by CPAs of Deloitte Taiwan with an independent auditors' report issued. The aforementioned business report, financial statements and earning distribution proposal have been reviewed by the Audit Committee with no irregularities identified.

- Assessment on the effectiveness of the internal control system
The Company assesses the design and operating effectiveness of its internal control system based on the criteria provided in the "Regulations Governing the Establishment of Internal Control Systems by Public Companies." The criteria adopted by the Regulations identify five key components of internal control based on the process of management: 1. control environment, 2. risk assessment, 3. control activities, 4. information and communication, and 5. monitoring. Each component further contains several items.
The Company has assessed the design and operating effectiveness of its internal control system according to the aforesaid criteria.
Based on the findings of the assessment mentioned in the preceding paragraph, the Company believes that, as of December 31, 2019, its internal control system (including its supervision and management of subsidiaries), as well as its internal controls to monitor the achievement of its objectives concerning operational effectiveness and efficiency; reliability, timeliness and transparency of financial reporting; and compliance with applicable laws and regulations, were effective in design and operation, and reasonably assured the achievement of the above-mentioned objectives.

- Assessment on the independence and competence of CPAs
The Audit Committee is held responsible for supervising the independence of the CPA firm to ensure the integrity of financial statements. To ensure the independence of the CPA firm, the Audit Committee assesses the independence and competence of CPAs at least once every year. The Committee has prepared an independence assessment form based on Article 47 of the Certified Public Accountant Act and Bulletin No. 10 "Integrity, Objectivity and Independence" of the Norm of Professional Ethics for Certified Public Accountants. CPAs are assessed for their independence, professionalism and competence, and whether they are related parties to the Company or have business or financial interests in the Company. A statement on the compliance with independence requirements pursuant to Bulletin No. 10 "Integrity, Objectivity and Independence" of the Norm of Professional Ethics for Certified Public Accountants is obtained. In the 12th meeting of the

1st-term Audit Committee on March 26, 2020 and the 17th meeting of the 22th-term Board of Directors on March 26, 2019, the CPAs, Li-Huang Li and Jui-Chuan Chih, from Deloitte Taiwan were assessed and approved to have met the Company's standards for independence. They were qualified to be the Company's CPAs.

- The split-up of the Company's 100%-owned subsidiary, Shinkong Asset Management Co., Ltd.

Shinkong Asset Management Co., Ltd., a 100%-owned subsidiary of the Company spun off its Real Estate Leasing II to the 100%-owned subsidiary, Hua Yang Motor Co., Ltd. for professional management and operation to actively improve the return on assets. The Company could also tap into the development and management of real estate through the split-up and aggressively develop relevant product market as a professional company to effectively lift the Company's return on shareholders' equity.

The motion was approved by all committee members and released as material information on the date of the meeting.

II. Operation in 2020

When one of the following situations occurs, the date and session of the Board meeting, contents of motions, the Committee's resolutions and actions taken by the Company regarding the Committee's opinions shall be specified.

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

Date	Session	Contents of Motions	Committee's Resolutions and Actions Taken by the Company Regarding the Committee's Opinions
March 26, 2020	12th meeting of the 1st term	To review the 2019 business report and financial statements	Approved
		To review the 2019 earnings distribution	Approved
		To review the assessment on the independence and competence of CPAs	Approved (CPAs recused)
		To review the 2019 Statement of Internal Control System	Approved
May 7, 2020	13th meeting of the 1st term	Review on the releasing of newly elected Independent Directors from the non-compete restrictions.	The voting was held for individual candidate and the Director with conflict of interest was recused from the discussion and voting. (Independent Director, Hon-Kit Shing was appointed the acting Chairman during the discussions concerning the Independent Director, Hsin-Chun Yen.) All the remaining Directors had approved the motion. Thus, it was approved as proposed. Directors recused due to conflict of interest included Independent

			Directors, Hsin-Chun Yen, Hon-Kit Shing, and David Ching. The recorder, Shu-Ti Chang, was also recused.
		To review the amendments to the "Procedures for Acquisition or Disposal of Assets " of the subsidiary, Shinkong Asset Management Co., Ltd.	All attending members had approved the motion upon enquiry made by the Chairman. Thus, it was approved as proposed.
August 12, 2020	1st meeting of the 2nd term	To provide guarantee for the Company's investee, Shang De Motor Co., Ltd., within the amount of NT\$ 72.36 million.	Approved
December 23, 2020	2nd meeting of the 2nd term	To review the split-up of the Company's 100%-owned subsidiary, Shinkong Asset Management Co., Ltd.	Discussion: Independent Director, David Ching: Please explain the benefits of the split-up. CPA Chien-Hung Chen: The main reason being that once the ownerships of land and ground object were under the same entity, i.e., Hua Yang Motor Co., Ltd., it will be more efficient and the interest rate, loan-to-value ratio and terms for borrowings will be better than the present in theory. Moreover, the regulatory requirements for land used in automobile repair and maintenance are different from those of general commercial offices. Management shall be done by professional team which is also more efficient in following the regulatory changes. Also, the separation of Shinkong Asset's real estate into leasing to the automobile industry and to all other industries is beneficial for the future development of Hua Yang. Since Hua Yang is a 100%-owned subsidiary of the Shinkong Asset, the enhanced efficiency would also be reflected on the

			<p>investments of new assets.</p> <p>Independent Director David Ching: The first point alone had proven the motion to be necessary from a banker's point of view. If the subsidiary did not possess any land, its financing would have to rely on the parent company, which increased labor as well as finance costs in carrying out and setting the financing limits.</p> <p>Independent Director Mao-Jung Wang: Since Hua Yang is a 100%-owned subsidiary of Shinkong Asset, asset evaluations need not be carried out. Would there be any tunneling issue?</p> <p>CPA Chien-Hung Chen: Tunneling would not be an issue in principle. Because Hua Yang is 100% controlled by Shinkong Asset, this split-up was a transfer of carrying amount from Shinkong Asset to Hua Yang. It was an organizational change and would not generate any special gains or losses for the Group as a whole, nor would it lead to any suspicion of profit manipulation.</p> <p>Resolution: All observers were asked to leave the meeting during the discussion and voting of the motion. All attending members had approved the motion upon enquiry made by the Chairman. Thus, it was approved as proposed.</p>
<p>(II) Except for above-mentioned items, resolutions which were not approved by the Audit Committee but was approved by two-thirds or more of all Directors in 2020: None.</p>			
<p>III. For situations where Independent Directors recuse themselves from any motion due to conflict of interest, the Independent Directors' names, contents of motions, causes for the recusal, and participation in voting shall be specified:</p>			

Date	Session	Contents of Motions	Reasons for Recusal and Results of Voting
May 7, 2020	13th meeting of the 1st term	Review on the releasing of newly elected Independent Directors from the non-compete restrictions.	The voting was held for individual candidate and the Director with conflict of interest was recused from the discussion and voting. (Independent Director, Hon-Kit Shing was appointed the acting Chairman during the discussions concerning the Independent Director, Hsin-Chun Yen.) All the remaining Directors had approved the motion. Thus, it was approved as proposed. Directors recused due to conflict of interest included Independent Directors, Hsin-Chun Yen, Hon-Kit Shing, and David Ching. The recorder, Shu-Ti Chang, was also recused.

IV. Communications between the Independent Directors, the internal audit officer, and CPAs (It shall include material issues concerning the finance and business of the Company, and the means and outcomes of communication):

Communication between Independent Directors and internal audit officer

I. Communication policy

Apart from periodic audit report sent to the Independent Directors, audit officer shall present key business reports of the Company and its subsidiaries to the Independent Director in the quarterly Audit Committee meetings starting in 2021. The implementation and effectiveness of the audit process has been fully communicated.

II. Summary of communication between Independent Directors and internal audit officer

Date	Details	Outcome
March 26, 2020	2019 statement of audit on internal control and explanation	After discussion and communication, the Independent Directors did not raise any issues.
March 30, 2021	Internal audit implementation report for the fourth quarter of 2020	After discussion and communication, the Independent Directors did not raise any issues.

Communication between Independent Directors and CPAs

I. Communication policy

The Audit Committee comprises of all Independent Directors. CPAs report to the Independent Directors at least twice each year on the Company's financial status, overall operations and the audit on internal controls, and fully communicate on whether material journal entry adjustments are required or regulatory amendments have any impact on the Company's accounts.

II. Summary of communication between Independent Directors and CPAs

Date	Details	Opinions and Outcome
March 26, 2020	CPAs reported on key audit matters of the 2019 financial statements	None
November 11, 2020	CPAs discussed audit plans for the financial statements of 2020	None
March 30, 2021	CPAs reported on key audit matters of the 2020 financial statements	None

Note:

- * Where an Independent Director may be relieved from duties before the end of the fiscal year, please specify the date of his/her discharge in the "Remarks" Section. His/her actual attendance rate (%) to the Audit Committee meetings shall be calculated on the basis of the number of meetings called and actual number of sessions he/she attended, during his/her term of office.
- * Where an election may be held for filling the vacancies of Independent Director before the end of the fiscal year, please list out both the new and the discharged Independent Directors and specify if they are the former, newly elected or re-elected Independent Directors, as well as the date of the reelection. His/her actual attendance rate (%) to the Audit Committee meetings shall be calculated on the basis of the number of meetings called and actual number of sessions he/she attended, during his/her term of office.

(III) Implementation of Corporate Governance Practices and Non-compliance with Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons

Assessment Item	Implementation Status			Non-compliance and Reasons
	Yes	No	Description	
I. Does the Company follow Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies to establish and disclose its corporate governance practices?	V	-	The Company has established the "Code of Practice for Corporate Governance" and disclosed it on the company website.	None
II. Ownership structure and shareholders' rights				
(I) Does the Company have internal operation procedures to handle shareholders' suggestions, concerns, disputes and litigations? If yes, has these procedures been implemented accordingly?	V	-	(I) The Company has a spokesperson and a deputy spokesperson to respond to the shareholders' suggestions and concerns. Disputes or litigation are handled by attorneys. Matters relating to shareholder services are handled and responded to by the Company's share registrar, Stock Affairs of Taishin International Bank.	(I) None
(II) Does the Company possess a list of major shareholders and ultimate owners of these major shareholders?	V	-	(II) The Company has timely updates on the major shareholders and the ultimate owners of these major shareholders who substantially control the Company. Filing is completed within one month after the annual general meeting pursuant to Article 3 of the "Procedures for Information Filing by TWSE-listed Companies."	(II) None
(III) Does the Company build and execute risk management and firewall mechanism between itself and affiliates?	V	-	(III) The Company is independent from affiliates and each entity manages its own financial matters. All entities have established the "Procedures for Acquisition or Disposal of Assets," "Procedures for Lending Funds to Other Parties," and "Procedures for Endorsement and Guarantee." In addition, pursuant to the "Regulations Governing the Establishment of Internal Control Systems	(III) None

Assessment Item	Implementation Status			Non-compliance and Reasons
	Yes	No	Description	
(IV) Does the Company have internal rules to prevent insiders from using undisclosed information to trade securities?	V	-	<p>by Public Companies" promulgated by the competent authority, the Company has established control measures of "Management of Related Party Transactions" and "Management of Financial Statements Preparation Process" within the internal control system. The risk control mechanism and firewall between entities have been properly established and rules monitoring subsidiaries' operations are formulated and implemented accordingly.</p> <p>(IV) The Company has established the "Code of Ethical Conduct" and "Procedures for Internal Material Information" to regulate relevant behaviors and informed insiders to strictly comply with. Personnel of the Company shall comply with the Securities and Exchange Act where they shall not use undisclosed information for insider trading, nor shall they disclose such information to other parties for the latter to engage in insider trading.</p>	(IV) None
<p>III. Composition and duties of the Board of Directors</p> <p>(I) Has the Company established a diversity policy for the composition of its Board of Directors and has it been implemented accordingly?</p>	V	-	<p>(I) The Company adopts the candidate nomination system for the nomination and election of Board members and complies with the "Rules for Election of Directors" and "Code of Practice for Corporate Governance". In addition, performance assessment is conducted annually to ensure the competence, diversity and independence of each member. Opinions of stakeholders are taken into account.</p> <p>Members of the 23rd-term Board have vast experience in management and decision-making as well as relevant industry knowledge. Their education and work experience cover areas of law, finance, economy, sales</p>	(I) None

Assessment Item	Implementation Status		Description	Non-compliance and Reasons
	Yes	No		
			<p>and textile retailing. The Company will continue to assess the diversity of Board members and how they can complement each other, and implement the diversity policy. The future objectives include the succession plan for the Directors and the inclusion of younger or female Directors, which will be carefully reviewed during the reelection of Directors. For implementation status, please refer to Note I for Board members and Note II for succession plan of key executives and management objectives.</p> <p>Diversity policy and competence of Board members are as follows:</p> <p>(1) Diversity policy</p> <p>The overall Board composition shall be taken into consideration in the election of Directors. The Company shall diversify Board composition and develop guidelines on diversity based on the operations, nature of business activities and development needs of the Company, including but not limited to the following two aspects:</p> <p>I. Basic requirements and values: Gender, age, nationality, and culture.</p> <p>II. Professional knowledge and skills: professional background (such as law, accounting, industry, finance, marketing or technology), professional skills and industry experience.</p> <p>(2) Board members shall have the knowledge, skills, and experience required to perform their duties. The entire Board shall possess the following abilities:</p>	

Assessment Item	Implementation Status			Non-compliance and Reasons
	Yes	No	Description	
(II) Has the Company voluntarily established functional committees in addition to Remuneration and Audit Committees which are required by laws?	-	V	<p>I. Operation Judgement II. Accounting and Financial Analysis III. Management IV. Crisis Management V. Industrial Knowledge VI. International Perspective VII. Leadership VIII. Decision Making</p> <p>(II) The Company has yet to set up other functional committees and will evaluate the need for such establishment based on organizational and business environment if necessary in the future.</p>	(II) It will be established as the Company deems fit.
(III) Has the Company formulated rules and methods for the performance assessment of the Board of Directors and evaluate the Board performance every year? Is the outcome of performance assessment submitted to the Board of Directors and used as reference for the remuneration and re-election nomination of individual Director?	V	-	(III) The Company has established the methods for assessing the Board performance in 2019 and conducted self or peer assessment annually. The first performance assessment on the Board was carried out in 2020 with an assessment period of November 1, 2019 to October 31, 2020. The assessment scope, method, results and recommendations for improvement were submitted to the Board on March 31, 2021 to be used as reference for the remuneration and re-election nomination of individual Director.	(III) None
(IV) Has the Company periodically evaluated the independence of its CPAs?	V	-	(IV) The Company assesses the independence of CPAs annually. The Company's CPAs and the accounting firm are not stakeholders of the Company and CPAs are periodically rotated pursuant to applicable laws and	(IV) None

Assessment Item	Implementation Status			Non-compliance and Reasons																																	
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			<p>regulations.</p> <table border="1"> <thead> <tr> <th>Assessment Item</th> <th>Assessment Result</th> <th>Independence Status</th> </tr> </thead> <tbody> <tr> <td>1. No direct or indirect material financial interests with the Company.</td> <td>Yes</td> <td>Yes</td> </tr> <tr> <td>2. No financing or guarantee activities with the Company and its Directors.</td> <td>Yes</td> <td>Yes</td> </tr> <tr> <td>3. No close business relationship or potential employment relationship with the Company.</td> <td>Yes</td> <td>Yes</td> </tr> <tr> <td>4. The CPAs and members of the audit team has not served as Directors or managerial officers or held positions with significant influence on the audit work of the Company at present or in the past 2 years.</td> <td>Yes</td> <td>Yes</td> </tr> <tr> <td>5. No provision of non-audit services that may directly affect the audit work.</td> <td>Yes</td> <td>Yes</td> </tr> <tr> <td>6. Not an intermediary of the shares or other securities issued by the Company.</td> <td>Yes</td> <td>Yes</td> </tr> <tr> <td>7. Not serving as a defense counsel of the Company or representing the Company in mediating conflicts with third parties.</td> <td>Yes</td> <td>Yes</td> </tr> <tr> <td>8. Not a family member or relative of a Director or managerial officer or person holding a position that has a significant impact on the audit work of the Company.</td> <td>Yes</td> <td>Yes</td> </tr> <tr> <td>9. Up till the latest audit, CPAs have not remained unchanged for seven years.</td> <td>Yes</td> <td>Yes</td> </tr> <tr> <td>10. Up till now, the CPAs have not been punished in any circumstance.</td> <td>Yes</td> <td>Yes</td> </tr> </tbody> </table>	Assessment Item	Assessment Result	Independence Status	1. No direct or indirect material financial interests with the Company.	Yes	Yes	2. No financing or guarantee activities with the Company and its Directors.	Yes	Yes	3. No close business relationship or potential employment relationship with the Company.	Yes	Yes	4. The CPAs and members of the audit team has not served as Directors or managerial officers or held positions with significant influence on the audit work of the Company at present or in the past 2 years.	Yes	Yes	5. No provision of non-audit services that may directly affect the audit work.	Yes	Yes	6. Not an intermediary of the shares or other securities issued by the Company.	Yes	Yes	7. Not serving as a defense counsel of the Company or representing the Company in mediating conflicts with third parties.	Yes	Yes	8. Not a family member or relative of a Director or managerial officer or person holding a position that has a significant impact on the audit work of the Company.	Yes	Yes	9. Up till the latest audit, CPAs have not remained unchanged for seven years.	Yes	Yes	10. Up till now, the CPAs have not been punished in any circumstance.	Yes	Yes	
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IV. Does the Company have an adequate number of qualified corporate governance personnel and appoint a chief corporate governance officer to handle matters pertaining to corporate governance (including but not limited to provide information required for business execution by directors and supervisors, assist	V	-	<p>(I) The Company appointed the corporate governance officer through the Board of Directors on December 23, 2020. The main job functions are to handle matters pertaining to Board meetings and shareholders' meetings, produce minutes of Bard meetings and shareholders meetings, assist Directors with assuming office and continuing education, provide information required for business execution by Directors, and assist Directors with regulatory compliance.</p> <p>(II) The Company also established the ESG Task Force to</p>	None																																	

Assessment Item	Implementation Status			Non-compliance and Reasons
	Yes	No	Description	
directors and supervisors with regulatory compliance, handle matters pertaining to board meetings and shareholders' meetings according to laws and regulations, produce minutes of board meetings and shareholders meetings, etc.)?			<p>assist with the promotion of five action plans: "strengthen the functions of the Board to enhance the sustainable value of enterprises," "enhance information transparency to promote sustainable operations," "strengthen communication with stakeholders through effective interaction channels," "implement stewardship to align with international norms," and "deepen a corporate culture of sustainable governance and provide diversified products."</p> <p>(III) Highlights of business performed by the corporate governance officer in 2020:</p> <ol style="list-style-type: none"> 1. Handled registration of changes in 2020. 2. Continuously provided materials pertaining to continuing education to Board members and engaged external lectures to assist with completing the courses. 3. Purchased liability insurance for Directors, Supervisors and managerial officers. 4. Prompted the calling of communication meetings participated by CPAs, Independent Directors, and audit/finance/accounting officers so as to implement the internal-audit and internal-control systems. For meeting minutes, please refer to the Company's website. 5. Drafted the agenda for the Board meeting and notified Directors seven days prior to meetings. Convened the meeting and provided information. Gave prior reminder of recusal when the motion constituted a conflict of interests, as well as completed and distributed the meeting minutes within 20 days after each meeting. 	

Assessment Item	Implementation Status			Non-compliance and Reasons								
	Yes	No	Description									
			<p>6. Handled matters pertaining to the shareholders' meeting according to laws, and the registration of changes where the Articles of Incorporation was amended and the Board members were changed.</p> <p>7. Conducted performance assessments of the Board and the functional committees in accordance with Article 37 of the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and the Company's methods for assessing the Board performance, so as to put corporate governance into practice; and disclosed the assessment results on the Company's website and the Annual Report.</p> <p>8. Handled Directors' requests and assisted Directors with performing their duties and thus enhanced the effectiveness of the Board.</p> <p>(IV) Continuing education of the corporate governance officer in 2021 (up to the date of this annual report)</p> <table border="1"> <thead> <tr> <th>Date</th> <th>Host</th> <th>Class</th> <th>Duration</th> </tr> </thead> <tbody> <tr> <td>2021.04.27</td> <td>Taiwan Corporate Governance Association</td> <td>Establishment and Operation of the Audit Committee</td> <td>3 hours</td> </tr> </tbody> </table>	Date	Host	Class	Duration	2021.04.27	Taiwan Corporate Governance Association	Establishment and Operation of the Audit Committee	3 hours	
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2021.04.27	Taiwan Corporate Governance Association	Establishment and Operation of the Audit Committee	3 hours									
V. Has the Company established a communication channel for its stakeholders (including but not limited to shareholders, employees, customers and suppliers) and created a stakeholder section at the Company's website to address their concerns on major corporate	V	-	<p>(I) The Company maintains smooth communication channels with stakeholders. The communications and coordination of business, finance and construction customers are managed by corresponding departments. Other stakeholder suggestions or concerns are handled and addressed by the spokesperson, deputy spokesperson and the share registrar, Stock Affairs of Taishin International Bank.</p> <p>(II) The Company has established a stakeholder section at the</p>	None								

Assessment Item	Implementation Status			Non-compliance and Reasons
	Yes	No	Description	
social responsibility (CSR) issues?			Company's website. (http://www.skuniform.com.tw/investment/b-1.htm) °	
VI. Has the Company appointed a professional registrar to organize the shareholders' meetings?	V	-	The Company has engaged the professional share registrar, Stock Affairs of Taishin International Bank, to manage shareholders' meetings.	None
VII. Information disclosure				
(I) Has the Company established a corporate website to disclose information regarding the Company's financials, business and corporate governance status?	V	-	(I) The Company has investor relation section at the corporate website disclosing information concerning financials, business and corporate governance status. The website also contains links to the Market Observation Post System (MOPS) of Taiwan Stock Exchange where financials and material information of the Company are disclosed regularly and when the need arises.	(I) None
(II) Does the Company have other information disclosure channels (e.g., maintaining an English-language website, designating people to handle information collection and disclosure, appointing spokesperson, webcasting investor conference on the corporate website)?	V	-	(II) The Company has established the spokesperson and deputy spokesperson system and has dedicated personnel collecting and disclosing corporate information.	(II) None
(III) Does the Company publicly announce and file its annual financial report within two months after the end of financial year, and its financial reports of the first three quarters as well as	-	V	(III) The Company files its annual financial report within 90 days after the end of financial year, and its financial reports of the first three quarters within 45 days after the end of the corresponding quarters.	(III) The Company will incorporate the situation into future planning when needed.

Assessment Item	Implementation Status			Non-compliance and Reasons
	Yes	No	Description	
operational status of each month prior to the prescribed deadlines?				
VIII. Does the Company have other important information to facilitate better understanding of the Company's corporate governance practices (including but not limited to rights and welfare of employees, investor relations, supplier relations, rights of stakeholders, continuing education of directors and supervisors, the implementation of risk management policies and risk evaluation measures, the implementation of customer policies, and liability insurance for directors and supervisors provided by the Company) ?	V	-	<p>(I) Employees' rights: The Company implements measures concerning employees' rights in compliance with the Labor Standards Act and relevant regulations. It makes monthly contributions to the pension and welfare funds as well as provides group and travel insurances to protect employees' rights.</p> <p>(II) Employees' welfare: The Company has established the Employee Welfare Committee and makes contributions to the welfare funds at a certain percentage of total operating revenue. Company trips or small-scale activities are regularly organized for employees to enjoy a good time together. There are also employee discounts for shopping, funeral payments, and education subsidies for children. Each factory has budget allocated for annual gatherings and gifts for the Dragon Boat Festival and Mid-Autumn Festival. Employees are entitled to floor models and shopping discounts. Health check-ups are arranged for employees regularly. Also, employees may apply for maternity leave, paternity leave, and parental leave in accordance with the laws.</p> <p>(III) Investor relations: The Company has spokesperson and deputy spokesperson to handle investors' suggestions and communication.</p> <p>(IV) Supplier relations: The Company establishes good relationships with its suppliers and provides products that meet the Company's needs through long-term dealings with them, invites suppliers from time to time</p>	None

Assessment Item	Implementation Status			Non-compliance and Reasons
	Yes	No	Description	
			<p>for market information exchange and holds technical seminars. Supplier assessment is conducted every year and counseling is provided to suppliers with poor rating. Suppliers with excellent ratings are awarded with an increased purchase volume or new product development as incentives.</p> <p>(V) Stakeholder' rights: In addition to having the corresponding departments handling communications and coordination with stakeholders, the Company regularly discloses financial as well as material information on the MOPS in accordance with rules of the competent authority.</p> <p>(VI) Continuing education of Directors and Supervisors: The Directors' continuing education on corporate governance has been filed at the MOPS. Please refer to Note III "Continuing education of Directors in 2020" for details.</p> <p>(VII) The implementation of risk management policies and risk evaluation standards: The Company has established internal control and internal audit systems and constantly carries out various risk management and assessments. For major decisions of the Company, where the Director or the juridical person the Director represents has a personal interest in the agenda items, the Director shall disclose the major aspects of such personal interest at the current Board meeting. If the interest may impair the interest of the Company, the Director can state his/her opinions and answer questions; however, he/she shall not participate and shall recuse himself/herself from the discussion and voting of the agenda items. Such Director shall not</p>	

Assessment Item	Implementation Status			Non-compliance and Reasons																					
	Yes	No	Description																						
			<p>exercise voting right on behalf of another Director. Risk management policies will be formulated in 2021 and reported to the Board.</p> <p>(VIII) The implementation of customer policies: The Company is marketing-oriented and collaborates with well-known international brands on product research and development to provide customers with the best products.</p> <p>(IX) Liability insurance for Directors: The Company has started to purchase liability insurances for Directors, Supervisors and managerial officers from June 2019.</p>																						
<p>IX. The improvement status for the outcome of Corporate Governance Evaluation released by Taiwan Stock Exchange Corporate Governance Center in the most recent year and the priority of pending issues. (Companies not included in the Evaluation are exempted.) Progress of improvement on items that the Company did not receive positive scores in the 7th Corporate Governance Evaluation in 2020 is as follows:</p>																									
<table border="1"> <thead> <tr> <th>No.</th> <th>Indicator</th> <th>Improvement</th> </tr> </thead> <tbody> <tr> <td colspan="3">I. To maintain shareholders' rights and treat shareholders equally</td> </tr> <tr> <td>1.10</td> <td>Does the Company upload an English version of the handbook and supplementing materials 30 days prior to the annual general meeting?</td> <td>The Company will upload an English version of the handbook and supplementing materials 30 days prior to the annual general meeting starting in 2021.</td> </tr> <tr> <td>1.11</td> <td>Does the Company upload an English version of the annual report seven days prior to the annual general meeting?</td> <td>The Company will upload an English version of the annual report 16 days prior to the annual general meeting starting in 2021.</td> </tr> <tr> <td colspan="3">II. To strengthen the structure and operation of the Board</td> </tr> <tr> <td>2.2</td> <td>Has the Company established the board diversity policy and disclosed the detailed management objective and implementation status of the policy in the Company's website and annual report?</td> <td>Details are disclosed in the 2020 Annual Report and the Company's website.</td> </tr> <tr> <td>2.21</td> <td>Does the Company appoint a corporate governance officer to handle matters pertaining to corporate governance and disclose</td> <td>Details are disclosed in the 2020 Annual Report and the Company's website.</td> </tr> </tbody> </table>					No.	Indicator	Improvement	I. To maintain shareholders' rights and treat shareholders equally			1.10	Does the Company upload an English version of the handbook and supplementing materials 30 days prior to the annual general meeting?	The Company will upload an English version of the handbook and supplementing materials 30 days prior to the annual general meeting starting in 2021.	1.11	Does the Company upload an English version of the annual report seven days prior to the annual general meeting?	The Company will upload an English version of the annual report 16 days prior to the annual general meeting starting in 2021.	II. To strengthen the structure and operation of the Board			2.2	Has the Company established the board diversity policy and disclosed the detailed management objective and implementation status of the policy in the Company's website and annual report?	Details are disclosed in the 2020 Annual Report and the Company's website.	2.21	Does the Company appoint a corporate governance officer to handle matters pertaining to corporate governance and disclose	Details are disclosed in the 2020 Annual Report and the Company's website.
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Assessment Item	Implementation Status			Non-compliance and Reasons
	Yes	No	Description	
			the scope of authority, highlights of business performed, and continuing education on its website and annual report?	The Company appointed the corporate governance officer through the Board of Directors on December 23, 2020. The main job functions are to handle matters pertaining to Board meetings and shareholders' meetings, produce minutes of Board meetings and shareholders meetings, assist Directors with assuming office and continuing education, provide information required for business execution by Directors, and assist Directors with regulatory compliance.
III. To enhance information transparency				
3.5			Does the Company upload an English version of the annual financial report seven days prior to the annual general meeting?	The Company will upload an English version of the annual financial report 16 days prior to the annual general meeting starting in 2021.
IV. To fulfill CSRs				
4.2			Does the Company set up a full-time (part-time) unit to promote the ethical corporate management, responsible for the formulation, supervision and implementation of the ethical corporate management policy and prevention plan, and explain the operation and implementation of the unit on the Company's website and annual report, and report to the board of directors at least once every year?	As appointed by the Board, the Company has set up a dedicated CSR unit (i.e., the ESG Task Force) in November 2020. The task force is responsible for promoting the Company's ethical corporate management, sustainable development, regulatory compliance and corporate governance 3.0 practices. In order to improve the management of ethical corporate operation, the Administration Division is responsible for drawing up relevant policies and prevention plans, assisting the Board and the management with formulating and monitoring the management plans for ethical operation according to the duties, responsibilities and job scope of each unit, and ensuring the compliance and implementation of the principles of ethical corporate management. The implementation status is reported to the Board annually. The dedicated unit reported the implementation of

Assessment Item	Implementation Status		Non-compliance and Reasons
	Yes	No	
			ethical corporate management at the 5th meeting of the 23rd-term of the Board on December 23, 2020.
4.11			Has the Company disclosed its annual greenhouse gas (GHG) emissions, water consumption and the total weight of waste in the past two years? The Company has disclosed the information in the 2020 Annual Report.
4.12			Has the Company established management policies on energy conservation and carbon reduction, GHG reduction, water reduction or waste management? The Company has disclosed the information in the 2020 Annual Report.
4.15			Does the Company disclose its ethical corporate management policies at the Company's website or annual report and specify specific practices as well as plans for preventing unethical conducts? The Company has disclosed the information in the 2020 Annual Report.
No.	Indicator		Priority of pending issues
II. To strengthen the structure and operation of the Board			
2.22			Has the Company formulated risk management policies and procedures approved by the Board, which disclose the scope, the organizational structure, and the operations of risk management? The Company is expected to formulate risk management policies and procedures and report to the Board for discussion in 2021.
2.27			Has the Company established an intellectual property management plan linked to operational targets, disclosed the execution process on the Company's website or the Annual Report, and report to the Board at least once a year? The Company is expected to establish intellectual property management plans linked to the operational target and report regularly to the Board in 2021.

Note I:

Name of Directors	Nationality	Age	Gender	Diverse Background & Core Competencies								
				Professional Background	Operation Judgement	Industrial Knowledge	Business Administration	Finance and Accounting	International Perspective	Leadership	Decision Making	Crisis Management
Hsing-En Wu	R.O.C.	40~49	Male	Master of Materials Science and Engineering, University of California, Los Angeles; Chairman of Shinkong Textile Co., Ltd., Chairman and President of Shinkong Asset Management Co., Ltd.	V	V	V	V	V	V	V	V
Hsin-Hung Wu	R.O.C.	40~49	Male	MBA, Wharton School of the University of Pennsylvania; Chairman of Shinkong Insurance Co., Ltd., Director of Shinkong Asset Management Co., Ltd.	V	V	V	V	V	V	V	V
Chin-Fa Chiu	R.O.C.	60~69	Male	MBA, National Taiwan University; Director of Shinkong Textile Co., Ltd., Director of Chyang Sheng Dyeing & Finishing Co., Ltd.	V	V	V	V	V	V	V	V
Chia-Shi Lo	R.O.C.	50~59	Male	Master of Electrical Engineering, University of Southern California, Master of Laws, Soochow University; Director of Shinkong Textile Co., Ltd., Director of Redwood Group Ltd., Independent Director of Young Shine Electric Co., Ltd., Independent Director of Shinkong Life Insurance Co., Ltd.			V		V	V	V	V
Po-Han Lin	R.O.C.	50~59	Male	Master of Business Administration, Meiji University Chairman of Shinkong Lohas Co., Ltd., Director of Shinkong Financial Holding	V	V	V	V	V	V	V	V
David Ching	U.S.A.	40~49	Male	Bachelor of Management Science, University of California, San Diego; President of Violet Lake Pavilion Hotel, Thousand Island Lake, President of Ivy Lake View Hotel, Thousand Island Lake	V		V	V	V	V	V	V
Hon-Kit Shing	New Zealand	40~49	Male	Bachelor of Economics & Member of the Visiting Committee Economics Dept., Massachusetts Institute of Technology; Chairman and President of Cottonwood Management, LLC, Vice Chairman of TISCO Financial Group Public Company Limited, Senior Consultant of CDIB & Partners Investment Holding Corp.	V		V	V	V	V	V	V
Mao-Jung Wang	R.O.C.	60~69	Male	Bachelor of Accounting, Soochow University; Independent Director and member of the Remuneration Committee of MasterLink Securities Corporation			V	V	V	V	V	V

Among the three Independent Directors of the Company (David Ching, Hon-Kit Shing, and Mao-Jung Wang), two had served terms of less than three years, and one was between four to six years.

Note II:

Succession plan of Board members and key executives, and management objectives

In planning the succession plan, besides excellent competence, the successors must conform to the Company's values. Key values of the Company are ethical corporate management, equality, innovation, team work, love life, love earth and respect the promotion and

implementation of social responsibilities.

Self performance assessments of the Board also include indicators of integrity and ethical corporate management to urge Board members to demonstrate integrity and ethical values through actions.

In 2020, the shareholders' meeting elected four Directors and three Independent Directors. Each Board member understands and identifies with the Company's values and is well aware of the industry conditions. Also, they have vast experience in global political economy, regulatory compliance, and international as well as manufacturing management. In response to the ever-changing management environment with international competitions and constant updates in laws and regulations (such as corporate governance), the Company also arranges exclusive courses for Directors. Each Director shall take at least six hours of courses to ensure they have a certain degree of industry knowledge and are aware of the latest information.

For key executives, the Company has a complete set of promotion and training programs for managers and in line with operation and globalization, individual development plans are launched. Communications between departments are open and transparent. Senior executives can fully exchange and discuss information during communication and at seminars.

"Innovation", "Strategic Planning", "Global Mindset" and "Visionary Leadership" are mandatory requirements of the management. Based on demand collected, courses are planned and designed for annual curriculum. Through annual performance assessment, the Company can understand the competence of individuals and provide appropriate guidance and assistance to improve the performance.

For the Company's development and organizational growth, in addition to nurturing potential middle and senior managers internally, the Company invites outstanding executives from the industry to join the Company. It adopts a public, open and transparent approach in developing key executives, and trains and recruits future management team with plans and objectives.

Note III: Continuing education of Directors in 2020:

Title	Name	On-Board Date	Date	Host	Class	Duration	Remark
Chairman	Hsing-En Wu	June 19, 2020	July 20, 2020	Corporate Organization Association	Must-know Laws and Regulations and Risk Liabilities for Directors, Supervisors and Insiders under Corporate Governance	3 hours	
			August 11, 2020	Corporate Organization Association	Offenses and Defenses Against Hostile Takeover and the Responsibilities of the Company's Responsible Person	3 hours	
Director	Hsin-Hung Wu	June 19, 2020	July 20, 2020	Corporate Organization Association	Must-know Laws and Regulations and Risk for Directors, Supervisors and Insiders under Corporate Governance	3 hours	
			August 11, 2020	Corporate Organization Association	Offenses and Defenses Against Hostile Takeover and the Responsibilities of the Company's Responsible Person	3 hours	
Director	Chin-Fa Chiu	July 1, 2020	September 21, 2020	TWSE/TPEX	"Corporate Governance 3.0 - Sustainable Development Roadmap" Summit	3 hours	
			October 16, 2020	TWSE/TPEX	2020 Promotions of Corporate Governance and Ethical Business Conduct to Directors and Supervisors	3 hours	
Director	Chia-Shi Lo	June 19, 2020	August 21, 2020	Institute of Financial Law and Crime Prevention	Directors, Supervisors and Senior Executives Seminar	3 hours	
			November 27, 2020	Taiwan Corporate Governance Association	Advanced Practice Sharing of Audit Committee - Towards 3.0 (Best Practices of Audit Committee Convenor)	3 hours	
Independent Director	David Ching	June 19, 2020	October 21, 2020	Taiwan Investor Relations Institute	Ownership Dispute – Corporate Governance and Responsibilities and Powers of Independent Directors	3 hours	
			November 19, 2020	Taiwan Investor Relations Institute	Analyzing Director and Supervisor Performance Evaluation Practices	3 hours	

Title	Name	On-Board Date	Date	Host	Class	Duration	Remark
Independent Director	Hon-Kit Shing	June 19, 2020	October 21, 2020	Taiwan Investor Relations Institute	Ownership Dispute – Corporate Governance and Responsibilities and Powers of Independent Directors	3 hours	
			November 19, 2020	Taiwan Investor Relations Institute	Analyzing Director and Supervisor Performance Evaluation Practices	3 hours	
Independent Director	Mao-Jung Wang	June 19, 2020	43874	Securities and Futures Institute	Analysis on Early Warnings of Financial Crisis	3 hours	
			March 11, 2020	Taiwan Securities Association	How to Apply Big Data Analysis to the Management of Corporate Operations	3 hours	
			August 21, 2020	Shin Kong Financial Holding	Education and Training of Directors, Supervisors and Senior Executives of Shin Kong Financial Holding and Subsidiaries	3 hours	

(IV) The composition, duties and operations of the Remuneration Committee, if any:

Members of the Remuneration Committee are appointed by the Board with the same terms as the Board which makes the appointment. The majority of members are Independent Directors and one of which would be elected as the convener and chairman by all members. His/her professional qualifications and independence shall comply with Articles 5 and 6 of the Regulations Governing the Exercise of Power by Remuneration Committee. The Committee formulates and regularly reviews the policy, system, standard and structure of the performance assessment and remuneration of Directors and managerial officers, and regularly assesses and determines the remuneration and compensation to Directors and managerial officers. The Committee's recommendations are submitted to the Board for discussion.

1. Members of Remuneration Committee

Title	Name	Conditions	Over Five Years of Work Experience and the Following Professional Qualifications			Independence Status (Note 1)										Number of Other Public Companies in Which the Individual is Concurrently Serving in the Remuneration Committee	Remark (Note 2)
			An Instructor or 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 Private Junior College, College or University	A Judge, Public Prosecutor, Attorney, CPA, or Other Professional or Technical Specialist Who Has Passed a National Examination with a Certificate in a Profession Necessary for the Business of the Company	With Work Experience in the Areas 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	Hsin-Chun Yen (re-elected)	No	No	Yes	V	V	V	V	V	V	V	V	V	V	V	0	-
Independent Director	David Ching (newly appointed)	No	No	Yes	V	V	V	V	V	V	V	V	V	V	V	0	-

Independent Director	Hon-Kit Shing	No	No	Yes	<input type="checkbox"/>	0												
Other	Chi-Yen Liang	No	No	Yes	<input type="checkbox"/>	3	-											

Note 1: Please fill in with director, independent director or other.

Note 2: Please tick the corresponding boxes if members have met any of the following conditions during the two years prior to being elected or during the term 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. (Not applicable in cases where the person is an Independent Director appointed in accordance with the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies or the laws of the country where the business is located by, and concurrently serve as such at, the Company, its parent company, subsidiary, or subsidiaries that belong to the same parent company.)
- (3) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or nominee arrangement, in an aggregate amount of 1% or more of the Company's total number of issued shares or ranks among the Company's top ten shareholders.
- (4) Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of managerial officers in (1) or of any of the persons in (2) and (3).
- (5) Not a director, supervisor, or employee of a corporate shareholder that directly holds 5% or more of the Company's total number of issued shares, ranks among the Company's top five shareholders, or appoints representatives to be the Company's directors or supervisors pursuant to Paragraph 1 or 2, Article 27 of the Company Act. (Not applicable in cases where the person is an Independent Director appointed in accordance with the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies or the laws of the country where the business is located by, and concurrently serve as such at, the Company, its parent company, subsidiary, or subsidiaries that belong to the same parent company.)
- (6) Not a director, supervisor, or employee of a company whose majority of directorships or voting rights are controlled by a shareholder who also controls the majority of directorships or voting rights of the Company. (Not applicable in cases where the person is an Independent Director appointed in accordance with the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies or the laws of the country where the business is located by, and concurrently serve as such at, the Company, its parent company, subsidiary, or subsidiaries that belong to the same parent company.)
- (7) Not a director, supervisor or employee of a company or institution whose chairperson, president, or an officer of equivalent position is the same person as, or a spouse to, one of the persons holding the same positions in the Company. (Not applicable in cases where the person is an Independent Director appointed in accordance with the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies or the laws of the country where the business is located by, and concurrently serve as such at, the Company, its parent company, subsidiary, or subsidiaries that belong to the same parent company.)
- (8) Not a director, supervisor, managerial officer, or shareholder with shareholding of 5% or more of a specific company or institution that has a financial or business relationship with the Company. (Not applicable in cases where the specific company or institution owns 20% (inclusive) to 50% (exclusive) of the Company's total number of issued shares, and the person is an Independent Director appointed in accordance with the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies or the laws of the country where the business is located by, and concurrently serve as such at, the Company, its parent company, subsidiary, or subsidiaries that belong to the same parent company.)
- (9) Not a professional individual who, nor an owner, partner, director, supervisor, or

managerial officer of a sole proprietorship, partnership, company, or institution that provides auditing services to the Company or its affiliates, or provides commerce, law, finance, accounting or related services to the Company or its affiliates with a cumulative compensation under NT\$500,000 in the past two years, nor a spouse thereof. However, this requirement is not applicable where members of the Remuneration Committee, Public Tender Offer Review Committee, or Special Committee for Merger/Acquisition perform duties pursuant to laws and regulations in association with the Securities and Exchange Act or the Business Mergers and Acquisitions Act.

(10) Not being a person of any conditions defined in Article 30 of the Company Act.

2. Remuneration Committee

- (1) The Company's Remuneration Committee comprises three members.
- (2) Term of the fifth term Committee members: July 9, 2020 to June 18, 2023. The Remuneration Committee held three (A) meetings in 2020. The attendance status is as follows:

	Name	Attendance in Person	Attendance by Proxy	Number of Meeting	Attendance Rate (%)	Remark
Convener	Hsin-Chun Yen	1	0	1	100%	Term expired on June 19, 2020
Convener	David Ching	2	0	2	100%	Newly elected on July 9, 2020
Member	Hon-Kit Shing	3	0	3	100%	
Member	Chi-Yen Liang	3	0	3	100%	

Annotations:

- I. If the Board decline to adopt or modify a recommendation of the Remuneration Committee, the date and session of the Board meeting, contents of motions, resolution and actions taken by the Company regarding the Committee's opinions shall be specified (if the compensation package approved by the Board is better than the recommendation made by the Committee, please specify the discrepancy and its reason): None.
- II. As to the resolutions of the Remuneration Committee, if a member expresses any objection or reservation, either by recorded statement or in writing, the date and session of the committee meeting, contents of motions, all members' opinions and actions taken regarding the opinions shall be specified: None.
- III. The date and session of the Remuneration Committee meetings, contents of motions, the resolutions from the Board Meeting and actions taken by the Company regarding the Committee's opinions are as follows:

Remuneration Committee		Contents of Motions and Actions Taken	Resolutions	Actions Taken
Date	Session			
March 12,	6th	To review the	As discussed by all attending	Reported to the

2020	meeting of the 4th term	performance assessment and remuneration system, standard, structure and plan of the Company's Directors and managerial officers and the principles for the distribution of 2019 year-end bonuses.	members at the meeting, the current remuneration packages were in line with the Company's requirements and could continue to be used. The principles for the distribution of year-end bonus were also reasonable. All attending members had approved the motion upon enquiry made by the Chairman. Thus, it was approved as proposed.	Board and approved by all attending Directors.
		To amend the Company's "Remuneration Committee Charter."	All attending members had approved the motion upon enquiry made by the Chairman. Thus, it was approved as proposed.	Reported to the Board and approved by all attending Directors.
August 11, 2020	1st meeting of the 5th term	To discuss the remuneration of Independent Directors.	It was proposed to pay a fixed amount of compensation every month as Independent Directors are professionals with expertise in commerce, law, finance, and accounting fields and with reference to the remuneration level of Independent Directors in the industry. Except for members with conflict of interest who were recused from the discussion and resolution, all the remaining members had approved the motion upon enquiry made by the Chairman.	Reported to the Board and approved by all attending Directors.
		To review the principles for the distribution of 2019 compensation to employees and remuneration to Directors.	NT\$7.6 million was appropriated for compensation to employees and remuneration to Directors separately in 2019. Distribution would be made in the form of cash. As discussed by all attending members at the meeting, the principles for the distribution of compensation to employees and remuneration to Directors were reasonable. All attending members had approved the motion upon enquiry made by the Chairman. Thus, it was approved as proposed.	Reported to the Board and approved by all attending Directors.

		Employee promotion	All attending members had approved the promotion of Jen-Tsung Wang from the manager of SUPERGOLD/Key Account Department to Assistant Vice President of the same department upon enquiry made by the Chairman. Thus, the motion was approved as proposed.	Reported to the Board and approved by all attending Directors.
December 22, 2020	2nd meeting of the 5th term	Appointment of Vice President of Marketing Division	All attending members had approved the appointment of Ms. Cheng-Yao Lee as Vice President of the Marketing Division upon enquiry made by the Chairman. Thus, the motion was approved as proposed.	Reported to the Board and approved by all attending Directors.

(V) Performance in CSR and Non-compliance with "Corporate Social Responsibility Best Practice Principles for TWSE/TPEX-Listed Companies" and Reasons

Assessment Item	Implementation Status			Non-compliance and Reasons
	Yes	No	Description	
I. Does the Company conduct risk assessments on environmental, social and corporate governance issues related to the Company's operations in accordance with the materiality principle, and formulate relevant risk management policies or strategies?	V	-	Adhering to the business philosophy of ethical corporate management and the materiality principle, the Company, while pursuing sustainable operation and profit, fulfills its CSR, values the interests of stakeholders, and pays attention to environmental, social and governance (ESG) issues as well as incorporates them into the Company's management policies and operating activities to achieve the goal of sustainable operation.	None
II. Does the Company have an exclusively (or concurrently) dedicated CSR unit with senior management being authorized by the Board to handle relevant issues and report to the Board?	V	-	As appointed by the Board, the Company has set up a dedicated CSR unit (i.e., the ESG Task Force) in November 2020. The task force members include personnel related to the Administration Division, Legal Office and Production Division of the head office with the Vice President of the Administration Division being the convener and reports to the Board on a regular basis. The ESG Task Force operates to enhance the Company's sustainable values, enhance information transparency to promote sustainable operations, strengthen communication with stakeholders through effective interaction channels, implement stewardship to align with international norms, and deepen a corporate culture of sustainable governance. The Task Force will strive to fulfill its CSR in a systematic and organized manner.	None
III. Environmental issues (I) Has the Company established environmental management system designed to fit industry characteristics?	V	-	(I) The Company has obtained the ISO14001 certification of environmental management system (Certificate authority: DNV; Effective period: 2019.01.17 to 2022.01.17 Certificate No.:	(I) None

Assessment Item	Implementation Status			Non-compliance and Reasons
	Yes	No	Description	
(II) Is the Company committed to improving the efficiency of various resources and utilizing renewable materials that have low environmental impact?	V	-	<p>128788-2013-AE-RGC-RvA), and certifications of bluesign® standard of Switzerland, the Organic Content Standard (OCS), Responsible Wool Standard (RWS), and Global Recycle Standard (GRS). Also, designated personnel from Production Division are responsible for environmental management.</p> <p>(II) The Company has implemented waste sorting for resource recycling and reuse, and produced eco-friendly fabrics. At present, the Company has promoted the use of recycled polyester yarn as the basic raw material for fabrics. In conjunction with the implementation of ISP recycling program to fully recycle polyester fabrics, "No Waste, Total Recycle" can be achieved which effectively increases the sustainability of petrochemical raw materials, reduces pollution caused by petrochemical waste on earth and ocean, and adds value to recycled products. The Company has also invested in green process development since 2020.</p>	(II) None
(III) Does the Company assess the present and future potential risks and opportunities of climate change for the entity, and takes measures to respond to climate-related issues?	V	-	<p>(III) With the increasing threat of global climate change, "Environmental and Climate Change Risks" has jumped to the number one spot of the top five risks confronted by enterprises. To understand and respond to the potential risks and opportunities from the perspectives of production, finance, and markets, the Company has conducted self-assessments and formulated future management and operation strategies, including:</p> <p>(1) To promote energy conservation and waste reduction and enhance energy utilization rate: In order to effectively reduce the temperature in the</p>	(III) None

Assessment Item	Implementation Status		Non-compliance and Reasons	
	Yes	No		Description
(IV) Has the Company calculated its GHG emissions, water consumption and total waste weight in the past two years, and formulate policies for energy conservation, reductions of carbon, GHG and water consumption, or other waste management?	V	-	<p>factory, the Company's Daxi Factory has solar panels installed on the factory rooftop. This action effectively lowers the room temperature by three degrees Celsius in summer and cuts down the carbon emission.</p> <p>(2) To promote the C.B.D project and carry out improvement schemes from the process and equipment ends and reduce energy waste effectively to achieve the goal of energy saving and carbon reduction for sustainable operation.</p> <p>(3) To recycle water used for cooling and reduce the energy (steam) used for operations that require heat.</p> <p>(4) To develop eco-friendly recycled products to enhance product diversity and market competitiveness.</p> <p>(5) To cultivate diverse supply sources to avoid the risks of unstable or disrupted supplies due to weather conditions.</p> <p>(IV) The Company has incorporated environmental management into daily operations. For instance, statistics of water, electricity, and waste management have been recorded since 2016, and GHG inventories have been conducted since 2019. We have also set annual targets for reductions of GHG emissions, water consumption, and waste volume and the targets are monitored quarterly by the environmental protection enforcement unit under the CSR Committee.</p> <p>To actively conserve energy, the Company has switched to boilers with high combustion efficiency</p>	(IV) None

Assessment Item	Implementation Status		Non-compliance and Reasons
	Yes	No	
			<p>to reduce GHG emission, and implemented waste recycling policies. Relevant statistics are as follows:</p> <p>(1) In 2020, all factories adopted the natural gas-fired boiler, which has greatly improved the air quality and reduced sulphur emissions to zero.</p> <p>(2) Solar panels were installed on all rooftop spaces of Daxi Factory in 2020, which reduced the utilization rate of water chillers. The room temperature in summer dropped by about three degrees Celsius compared with the previous years.</p> <p>(3) In 2020, air compressors with Level 3 Energy Efficiency Index (EEI) were replaced by ones with Level 1 EEI at the Dayuan Factory and placed in a dry and cool area to achieve energy-saving. All the factors above contributed to an electricity saving of 1,349,027 kWh at factories in 2020, representing an annual saving of 16.72%.</p> <p>(4) A variety of recycling bins have been set up in the factories. The Company implements waste sorting and works with qualified vendors to handle the waste regularly. Annual energy saving: Recycled paper of 33,464 kg, cardboard tubes of 3,126 kg, blended yarn of 23,186 kg, and plastic bags of 2,090 kg.</p> <p>Our major production sites generated GHG emission (Scope 2 under ISO 14064-1) of 16,300 tonnes in 2019 and 12,885 tonnes in 2020. Total water consumption was approximately 85,885 tonnes in</p>

Assessment Item	Implementation Status		Non-compliance and Reasons
	Yes	No	
			<p>2019 and 82,975 tonnes in 2020. Total waste was approximately 46.74 tonnes in 2019 and 32.14 tonnes in 2020.</p> <p>The quantitative management targets of energy conservation and carbon reduction are as follows:</p> <p>(1) Targets of energy conservation and carbon reduction: To reduce carbon intensity by 20% in 2020 compared to 2019.</p> <p>(2) Measures adopted Electricity conservation measures implemented included improvement on factory-wide pipelines and valves, insulation outside cylinders, enhancement on drain valve management, adoption of air compressors with Level 1 EEI and improvement on the amount of dye per unit area to reduce energy consumption. High energy-consuming equipment is regularly inspected and replaced when necessary. Internal water-saving plans adopted included a comprehensive recycling system for cooling water and condensate established by experts to recycle and reuse water from process and reforms on washing equipment to improve cleaning efficiency and reduce energy consumption.</p> <p>(3) Completion status: With 2019 as the base year, the energy-saving rate in 2020 was 7.97%.</p> <p>(4) Climate change assessment and countermeasures In recent years, climate change has been a global topic. Extreme climate affects the entire</p>

Assessment Item	Implementation Status		Non-compliance and Reasons
	Yes	No	
			<p>ecosystem and human survival. Thus, the Company has established the ESG Task Force. In 2021, ISO 14001 system was established in both Dayuan and Daxi factories. Environmental risks are identified annually. The possible impacts from climate changes are incorporated into the overall operational considerations. Risk responses and plans are established based on the estimated probability of risk and the level of impact to mitigate the impact of risks on the Company's operations.</p> <p>According to the assessment conducted by the ESG Task Force, the lack of water resources is the number one risk of the textile industry. Due to climate change, the intensity of rainfall increases in Taiwan, as well as the number of dry days. High temperature is often accompanied by water shortage, especially with the uneven distribution of rainwater and rainy seasons in Taiwan. Water shortage has been a serious issue in recent years. The traditional dyeing and finishing techniques consume an enormous amount of water. As water becomes a scarce resource, its shortage is a challenge for the textile industry.</p> <p>A green production process is thus developed. It is a physical process engineered to substantially reduce the use of chemicals and water. The process not only cuts down water consumption, but also the environmentally hazardous chemicals and polluted water.</p> <p>The Company has invested in the development of the green process since 2020 to mitigate the impact of scarce water source on the Company's production.</p>

Assessment Item	Implementation Status			Non-compliance and Reasons
	Yes	No	Description	
IV. Social issues (I) Has the Company formulated appropriate management policies and procedures according to related laws and regulations and the International Bill of Human Rights?	V	-	(I) The Company has established the Code of Ethical Conduct with reference to the labor conditions stipulated by the International Labor Organization (ILO) and the Fair Labor Association (FLA), and the commitment to employment of migrant workers that complies with the ethics and equality standards. In line with the spirit of the International Convention on the Protection of the Rights of All Migrant Workers and Members of Their Families (ICMW), the Company responds to the government's policy of direct hiring of migrant workers (being the first company to work with	(I) None

Assessment Item	Implementation Status		Non-compliance and Reasons
	Yes	No	
			<p>the Indonesian government to promote and implement direct employment of migrant workers from Indonesia). The Company is committed to the policy of zero cost for migrant workers to protect them from slavery or forced labor due to expenses from fabricate excuses of unethical agents. The payments for flight tickets to Taiwan, health check-up, visa, resident certificate upon arrival, medical examination and brokerage are all borne by the Company and the cost incurred in 2020 was approximately NT\$2 million. Moreover, in accordance with the ILO regulations, the Company has established the "Code of Conduct for Commitment to Ethical and Fair Employment of Migrant Workers", which prohibits involuntary labor, promotes workplace equality and achieves the objectives of sustainable, inclusive, full employment and decent work. The code of conduct applies to foreign as well as domestic employees.</p> <p>Based on the humanitarian spirit and in compliance with labor regulations such as the Labor Standards Act, the Company does not employ child labor. During interviews, the interviewer stresses the Company's policy concerning the banning of child labor and strictly examines the identities of interviewees to eliminate the possibility of hiring child labor with forged documents.</p> <p>The Company values gender equality and takes workplace harassment seriously. It has established sexual harassment prevention measures to ensure employees can work in a respectful and safe environment.</p>

Assessment Item	Implementation Status		Non-compliance and Reasons	
	Yes	No		Description
(II) Has the Company formulated and executed reasonable employee welfare measures (including compensation, leaves and other benefits), and have the operating performance or results properly reflected in employee compensation?	V	-	<p>In order to implement the Company's "Principles of Ethical Corporate Management" and "Procedures and Guidelines of Ethical Corporate Management" and ILO's rules on the prevention of forced labor, the Company has established employee complaint procedures. Appropriate channels for complaints or reporting are available for employees who are treated unreasonably and unfairly to protect their rights.</p> <p>(II) Measures to protect the rights and interests of employees and to motivate them are as follows:</p> <ol style="list-style-type: none"> (1) The Company has established the policy on employee leaves (including the request for leave of absence and parental leave without pay) in accordance with the Labor Standards Act and the Act of Gender Equality in Employment. (2) The Company holds clearance sales of its own products from time to time and establishes rules for employee purchases as well as cash gifts, allowance and subsidies. (3) The Employee Welfare Committee would organize company trips and festival activities from time to time and provide subsidies for children's education. (4) Employee compensation is appropriated in accordance with the Articles of Incorporation and year-end bonus is distributed based on operation performance by profit centers. (5) Employee performance is assessed regularly. Outstanding employees are given appropriate incentives or salary and position adjustments. (6) In March 2021, salaries were adjusted 	(II) None

Assessment Item	Implementation Status			Non-compliance and Reasons
	Yes	No	Description	
(III) Does the Company provide a safe and healthy work environment and periodic safety and health training?	V	-	<p>company-wide based on job function and work intensity.</p> <p>(III) The Company provides a safe working environment as well as education and training to enhance employees' skills based on work requirements. In order to protect workers from occupational hazards and work-related diseases, the Company has posted warning signs on equipment at the pretreatment area to prevent employees from touching the equipment; workers at the boiler area are given earplugs; safety goggles, respiratory protection equipment, acid & alkali resistant gloves and protective clothing are given to workers who might be in contact with chemical solvent at the dyeing, pretreatment, and setting areas. Education and training are provided for employees to learn how to use and maintain the equipment they work with and examine the conditions. Besides labor and health insurances which are required by laws, the Company also provides group accident insurance.</p>	(III) None
(IV) Has the Company established effective career development training plans?	V	-	<p>(IV) The Company is committed to the development and enhancement of employees' professional competence. In addition to internal training courses which are designed and planned in accordance with the Company's development needs, employees are encouraged and arranged to participate in training courses held by external professional institutions. Industry elites are invited from time to time to give keynote speeches to develop employees' professional skills.</p>	(IV) None
(V) Has the Company complied with	V	-	<p>(V) Products and services of the Company are labeled in</p>	(V) None

Assessment Item	Implementation Status		Non-compliance and Reasons	
	Yes	No		Description
<p>related regulations and international standards in terms of customer health and safety, customer privacy, marketing and labeling of products and services, and formulate relevant consumer protection policies and complaint procedures?</p> <p>(VI) Has the Company formulated supplier management policies that require suppliers to follow relevant regulations on issues such as environmental protection, occupational safety and health, or labor rights, and the implementation results?</p>	V	-	<p>accordance with relevant laws and regulations as well as international standards. Procedures for handling customer complaints are established to service customers and there is a consumer hotline at 0800698688.</p> <p>(VI) Before officially working with the suppliers, the Company clearly states the ban on products containing hazardous substances. Goods from suppliers are subject to quality inspection to ensure that they do not contain substances that are hazardous to health. The Company and suppliers work together to improve CSR.</p> <p>Article 18 of the Company's "Procedures and Guidelines of Ethical Corporate Management" stipulates that all personnel of the Company shall avoid business transactions with an agent, supplier, customer, or other counterparty in commercial interactions that is involved in unethical conduct. When the counterparty or partner in cooperation is found to have engaged in unethical conduct, the personnel shall immediately cease dealing with the counterparty and blacklist it for further business interaction in order to effectively implement the Company's ethical corporate management policy. In accordance with the supplier management procedures, the Company regularly assesses suppliers for compliance with relevant commitments and quality assurance. Counseling is provided to suppliers</p>	(VI) None

Assessment Item	Implementation Status		Non-compliance and Reasons
	Yes	No	
			with poor rating. Suppliers with excellent ratings are awarded with an increased purchase volume or new product development as incentives.
V. Has the Company referred to the internationally accepted report preparation standards or guidelines for its preparation of CSR or other reports which disclose the Company's non-financial information? Do the aforementioned reports obtain a third-party assurance or verification statement?	-	V	Although the Company does not prepare a CSR report, its policies of environment, human rights, corporate governance, health and safety, and ethical standards are carried out in accordance with GRI Standards. HIGG INDEX, the sustainability measurement tool promoted by SAC, is incorporated in the self-assessments on the implementation status of Facility Environment Module (FEM) and Facility Social & Labor Module (FSLM).
VI. If the Company has established its CSR principles according to "Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies", please specify any discrepancy between the policies and their implementation: None.			
VII. Other important information to facilitate better understanding of the Company's CSR practices:			
<p>(I) Industry-academy cooperation: Sponsored the 2021 Apparel Dynamic Exhibition as well as the 61st Anniversary activities of Shih Chien University</p> <p>(VII) Implementation of the "Zero Fee for Migrant Worker" policy: In order to avoid exploitation of migrant workers or forced labor and bonded labor, the Company has officially implemented the "Zero Fee for Migrant Worker" policy since 2020. Migrant workers recruited through the national recruitment program can join the Company with zero brokerage fee, meeting the expectations of international human rights organizations on migrant policy. The total costs amounted to NT\$2 million in 2020.</p> <p>(VIII) In response to the demand for the separation of employee dormitory and factory: The Company spent over NT\$30 million to build quadruple studio suites as employee dormitory.</p> <p>(IX) Gender Equality The Company has long placed great importance on employee care and a friendly workplace. As of the date of this annual report, female employees accounted for approximately 63% of the total number of employees. Female employees with titles of assistant vice president or above accounted for 57%. The Company's internal management measures protect the interests of pregnant employees in particular, with a view to establishing a friendly, diverse and inclusive workplace.</p> <p>(X) Environmental Protection:</p>			

Assessment Item	Implementation Status		Non-compliance and Reasons
	Yes	No	
<p>1. Improve air emission quality: The Company suspended the use of three heavy oil boilers at Daxi Factory and replaced them with natural gas-fired boilers. The air emission quality was greatly improved and the sulphur emissions was reduced to zero.</p> <p>2. Lower the temperature in the factories: Solar panels were installed on all rooftop space of Daxi Factory in 2020, which reduced the utilization rate of water chillers. The room temperature in summer was therefore dropped by about three degrees compared with previous years and the carbon emissions were effectively reduced.</p> <p>3. Recycle resources: The Company has placed recycling bins in offices and factory premises, which collect waste paper, waste iron and aluminum cans, PET bottles, lunch boxes, etc. The Company engages qualified vendors to recycle and remove the waste regularly.</p> <p>4. Reuse single-sided paper: The Company has set up a paper recycling area next to the photocopiers in offices for employees to leave papers that are black on one side for them to be used as scratch paper or for photocopying.</p> <p>5. Use eco-friendly utensils The Company encourages employees to bring their own utensils to reduce the use of disposable ones.</p> <p>6. Use energy-saving lighting The Company has replaced old lightings with energy-saving ones and installed solar street lamps alongside roads within the factory areas.</p> <p>7. International eco-certifications The Company has obtained the certifications of bluesign® standard of Switzerland, the Organic Content Standard (OCS), Responsible Wool Standard (RWS), and Global Recycle Standard (GRS) for its textile products.</p> <p>(XI) Social contribution: The Company attaches great importance to the rights and interests of its employees and actively creates employment opportunities. While textile manufactures gradually move their production to overseas, the Company is one of the few that choose to stay in Taiwan. In addition, the Shin Kong Group has established multiple foundations to carry out charitable activities with the aim of fulfilling CSR.</p> <p>(XII) Social welfare: Donations of goods or money are made from time to time, such as donations of NT\$200,000 to the Zoological Society of Taipei, participation in the aid scheme for the marginal elderly organized by the Love is King charity association as well as donation of NT\$100,000, and sponsorship of the Yungshin Cup Volleyball Championships.</p> <p>(XIII) Consumer rights and interests: To ensure product safety and to protect the rights and interests of consumers, the Company's products have been inspected by quality assurance and certificate authority to contain no hazardous substance. A customer hotline at 0800698688 is also established.</p>			

Assessment Item	Implementation Status			Non-compliance and Reasons
	Yes	No	Description	
(XIV) Human rights: To ensure gender equality at workplace, uphold the Constitution to eliminate gender discrimination and advance genuine gender equality, the Company does not discriminate on the grounds of gender or sexual orientation regarding recruitment, employment, general performance or promotion. For instance, the recruitment data placed on the job-hunting website does not contains wordings which violate the gender equality.				
VII. If the Company's CSR reports were verified by external certification institutions, a detailed account shall be given: Not applicable.				

(VI) Performance in Ethical Corporate Management and Non-compliance with "Ethical Corporate Management Best Practice Principles for TWSE/TPEX-Listed Companies" and Reasons

Assessment Item	Implementation Status		Description	Non-compliance and Reasons
	Yes	No		
I. Establishment of ethical corporate management policies and schemes				
(I) Does the Company formulate ethical corporate management policies approved by the Board and clearly express ethical corporate management policies and actions as well as the Board and senior management's commitment to implement those policies in the Company's internal rules and external documents?	V	-	(I) The Company upholds the corporate spirit of "Sticking to the status quo means falling behind: R&D is the only way forward", values honesty and thoroughness, looks for innovation and changes, and establishes a corporate culture of ethical corporate management for sustainable development. The Board has approved and established the "Principles of Ethical Corporate Management." To execute relevant policies and proactively prevent unethical behaviors, the "Procedures and Guidelines of Ethical Corporate Management" has been established, specifying the code of conducts for employees and business dealings. All employees and Directors of the Company have signed the "Statement on Compliance with the Ethical Corporate Management Policy."	(I) None
(II) Does the Company establish assessment mechanism for risk arising from unethical conducts, regularly analyze and assess operating activities with higher risk of unethical conduct within its business, and formulate preventive schemes accordingly, which at least contain	V	-	(II) The Company's Principles of Ethical Corporate Management covers the preventive measures for the following behaviors: 1. Offering and acceptance of bribes. 2. Illegal political donations. 3. Improper charitable donations or sponsorship. 4. Offering or acceptance of unreasonable presents or hospitality, or other improper benefits.	(II) None

Assessment Item	Implementation Status		Description	Non-compliance and Reasons
	Yes	No		
<p>preventive measures for conducts set forth in Paragraph 2, Article 7 of the "Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies"?</p> <p>(III) Does the Company have clear statements regarding relevant procedures, conduct guidelines, disciplinary measures and compliant system in the schemes to prevent unethical conduct, and does the Company implement them accordingly and regularly review those schemes?</p>	V	-	<p>5. Misappropriation of trade secrets and infringement of trademark rights, patent rights, copyrights, and other intellectual property rights.</p> <p>6. Engaging in unfair competitive practices.</p> <p>7. That any products and services, upon R&D, purchase, manufacturing, provision or sale, directly or indirectly damage the rights, interests, health, and safety of consumers or other interested parties.</p> <p>(III) The Company's Procedures and Guidelines of Ethical Corporate Management incorporates ethical corporate management into employees' performance assessments and establishes specific and effective reward and punishment as well as complaint systems.</p>	(III) None
<p>II. Implementation of ethical management</p> <p>(I) Does the Company review the counterparty's history of ethical conduct and include the compliance of business ethics as a clause in the contract?</p>	V	-	<p>(I) Prior to any commercial transactions, the Company shall take into consideration the legality of its agents, suppliers, customers, or other trading counterparties and whether any of them are involved in unethical conducts to avoid any dealings with persons so involved. When entering into contracts with others, the Company shall include in such contracts terms</p>	(I) None

Assessment Item	Implementation Status		Description	Non-compliance and Reasons
	Yes	No		
(II) Has the Company established a dedicated department under the Board to promote ethical conducts and report regularly (at least once every year) its ethics policies and preventive schemes for unethical conducts as well as implementation status to the Board?	V	-	<p>(II) requiring compliance with ethical corporate management policy and that in the event the trading counterparts are involved in unethical conducts, the Company may terminate or rescind the contracts at any time.</p> <p>(1) As appointed by the Board, the Company has set up a dedicated CSR unit (i.e., the ESG Task Force) in November 2020. The task force is responsible for promoting the Company's ethical corporate management, sustainable development, regulatory compliance and corporate governance 3.0 practices. In order to improve the management of ethical corporate operation, the Administration Division is responsible for drawing up relevant policies and prevention plans, assisting the Board and the management with formulating and monitoring the management plans for ethical operation according to the duties, responsibilities and job scope of each unit, and ensuring the compliance and implementation of the principles of ethical corporate management. The implementation status is reported to the Board annually.</p> <p>The dedicated unit reported the implementation of ethical corporate management at the 5th meeting of the 23rd-term of the Board on December 23, 2020.</p>	(II) None

Assessment Item	Implementation Status		Non-compliance and Reasons
	Yes	No	
			<p>(2) Implementation status of ethical corporate management policy in 2020:</p> <p>(A) Supplier management strengthening: Suppliers have signed the Commitment Letter of Ethic and Integrity. Suppliers of dyeing auxiliaries have also signed the letter of commitment undertaking that the production, manufacturing, packaging, storage and transportation of their products do not violate any eco-friendly regulations relating to the banning/restriction of substances.</p> <p>(B) Education and training: Orientation for new recruits: During the orientation for new recruits, expected conducts and conducts in compliance with ethics are explained. Employees are to sign the "Statement on Compliance with the Ethical Corporate Management Policy". On-the-job training: Seminars on ethical corporate management are organized with details distributed to all employees via mails and disclosed in the internal bulletin. Promotion at meeting: The Company continues to promote and implement relevant ethical corporate management policies at management, department and production and sales meetings, stressing the importance of ethical management.</p>

Assessment Item	Implementation Status		Description	Non-compliance and Reasons
	Yes	No		
			<p>(C) Whistle-blowing system: The Company has established rules governing whistle-blowing, an employee complaint mailbox and a reporting channel for stakeholders on the Company's internal website, encouraging internal and external personnel to report unethical or improper conduct. There was no internal nor external complaint in 2020.</p> <p>(D) Information disclosure enhancement: Information on ethical corporate management is closed in the Annual Report and the Company's website.</p> <p>(E) Regular inspections: In order to assist the Board and the management with the audit and assessment on the effectiveness of preventive measures established for ethical corporate management, the Audit Office conducts compliance assessments on relevant procedures from time to time and files reports. Procedures of operating activities with higher risks are constantly reviewed with reports submitted to the management to ensure the effectiveness of the design and implementation of the system.</p> <p>(3) The Company will continue to strengthen employee education and training and supplier assessment management in 2021.</p>	

Assessment Item	Implementation Status		Description	Non-compliance and Reasons
	Yes	No		
(III) Has the Company established policies to prevent conflicts of interest, provide appropriate communication channels and thoroughly implement the policies?	V	-	(III) The Company has established procedures to handle internal material information and apply them to identify, supervise and manage risks of unethical conducts due to conflicts of interest. Appropriate channels are provided to Directors, Supervisors, managerial officers or other stakeholders who attend or be present at the Board meetings to voluntarily explain whether their interests would potentially be conflicted with those of the Company. Where Directors, Supervisors, managerial officers or other stakeholders who attend or be present at the Board meetings or the juridical person they represent have a personal interest in the agenda items, they shall disclose the major aspects of such personal interest at the current Board meeting. If the interest may impair the interest of the Company, they shall not participate and shall recuse themselves from the discussion and voting of the agenda items. Also, they shall not exercise voting right on behalf of another Director. The Directors shall exercise discipline among themselves, and may not support each other in an inappropriate manner. The Company's employees shall not take advantage of their positions and influence in the Company to obtain improper benefits for themselves, their spouses, parents, children, or any other person.	(III) None
(IV) Has the Company established effective accounting and	V	-	(IV) The Company has established effective accounting and internal control systems where the internal	(IV) None

Assessment Item	Implementation Status		Non-compliance and Reasons	
	Yes	No		Description
<p>internal control systems for the implementation of ethics policies and had the internal audit unit formulating relevant audit plans based on the assessment outcome of risk associated with unethical conducts? Has the Company then performed audits on the compliance with the preventive schemes for unethical conducts accordingly, or entrust the CPAs to conduct the audits?</p> <p>(V) Has the Company regularly held internal and external training sessions on business ethics?</p>	V	-	<p>audit unit would conduct regular audits on the compliance of such systems and prepare audit reports for the Board. CPAs may be engaged to conduct the audits and professionals are invited to assist when necessary.</p> <p>(V) The Company regularly holds ethical corporate management education, training and promotion for employees of the Company and invites parties engaging in business activities with the Company to participate, so that they can fully understand the Company's determination, policies and prevention plans on ethical corporate management and the consequences of unethical conducts.</p> <p>Rules of ethical corporate management has been included as part of the orientation training for new recruits. 1,054 people had attended the internal and external education and training concerning ethical corporate management (including courses on ethical corporate management policies, prevention of insider trading, promotion of trade secrets and internal controls) with a total of 882 hours in 2020.</p>	(V) None
III. Implementation of whistleblowing system				

Assessment Item	Implementation Status			Non-compliance and Reasons
	Yes	No	Description	
(I) Has the Company established specific whistleblowing and reward systems, set up conveniently accessible complaint channels, and designated responsible individuals to handle the complaint received?	V	-	(I) The Company has established a specific whistle-blowing system, encouraging employees to voluntarily report any violation of ethical corporate management.	(I) None
(II) Has the Company established standard operating procedures for investigating the complaints received, actions to be taken upon the completion of investigation, and mechanisms for confidentiality?	V	-	(II) An independent complaint mailbox is established and the Human Resources Department is appointed to handle the complaints. Complaints involving Directors or senior executives shall be reported to the Independent Directors or Supervisors. The categories and corresponding standard investigation procedures shall be established. Case acceptance, investigation processes, investigation results, and relevant documents shall be recorded and retained.	(II) None
(III) Has the Company established measures to protect whistleblowers from retaliation?	V	-	(III) The Company will keep confidential the identity of the whistle-blower and the content of the complaint to protect the whistle-blower from retaliation. Measures to reward the whistle-blower is also established.	(III) None
IV. Enhancement on Information disclosure Does the Company disclose its principles of business ethics and information about implementation of such guidelines on its website and MOPS?	V	-	The Company has disclosed "Principles of Ethical Corporate Management" and "Procedures and Guidelines of Ethical Corporate Management" at the Company's website.	None
V. If the Company has established ethical conduct policies based on "Ethical Corporate Management Best Practice Principles for				

Assessment Item	Implementation Status		Non-compliance and Reasons
	Yes	No	
TWSE/TPEX-Listed Companies", please specify any discrepancy between the policies and their implementation: The Company has proceeded in accordance with its own principles. There is no difference.			
VI. Other important information to facilitate better understanding of the Company's ethical conduct practices: None.			

(VII) Please disclose access to the Company's Code of Practice for Corporate Governance and related rules and regulations, if any:

1. To make sure the behaviors of Directors, Supervisors, managerial officers and other employees comply with ethical standards, the Company has established the "Code of Ethical Conduct" for stakeholders to better understand the Company's ethical standards.
2. For sustainable developments of the Company and to foster a corporate culture of ethical corporate management, the Company has established the "Principles of Ethical Corporate Management". Moreover, in order to implement the ethical corporate management policy, actively prevent unethical conduct, and engage in business activities under the principles of fairness, honesty, integrity and transparency, the "Procedures and Guidelines of Ethical Corporate Management" are formulated in accordance with the "Principles of Ethical Corporate Management" and relevant laws and regulations of the places where the Company and the Group's entities and organizations operate.
3. To fulfill the corporate social responsibility initiatives and to promote economic, environmental, and social advancement for purposes of sustainable development, the Company has established the "Corporate Social Responsibility Best Practice Principles".
4. To establish sound mechanisms for processing and disclosing material insider information, prevent inappropriate leaks of information and ensure the consistency and accuracy of information released by the Company to the public, the "Procedures for Internal Material Information" have been established.
5. To maintain a sound corporate governance system and promote the healthy development of the securities market, the Company has established the "Code of Practice for Corporate Governance" pursuant to the "Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies".
6. Relevant rules and regulations are disclosed at the Company's website at <http://www.sktextile.com.tw>.

(VIII) Other important information to facilitate better understanding of the Company's corporate governance:

1. Continuing education of managerial officers and their deputies

Title	Name	Date	Host	Class	Duration
Corporate governance officer (Vice President)	Shu-Ti Chang	April 27, 2021	Taiwan Corporate Governance Association	Establishment and Operation of the Audit Committee	3 hours
Accounting officer (Assistant Vice President)	Su-Chuan Ko	November 23, 2020~ November 24, 2020	Accounting Research and Development Foundation in Taiwan	Continuing Education and Training for Chief Accounting Officers of Issuers, Securities Firms and Securities Exchange	12 hours
Deputy of accounting officer (manager)	Hsiang-Ju Chen	November 5, 2020~ November 6, 2020	Accounting Research and Development Foundation in Taiwan	Continuing Education and Training for Chief Accounting Officers of Issuers, Securities Firms and Securities Exchange	12 hours
Audit officer (assistant manager)	Ming Hsien Fang	November 27, 2020	The Institute of Internal Auditors-Chinese Taiwan	Implementation of Management and Auditing of Business Contracts	6 hours
		November 20, 2020	The Institute of Internal Auditors-Chinese Taiwan	Workshop for Audit Practice on Information Business	6 hours
Deputy of audit officer	Ya-Li Huang	November 6, 2020	The Institute of Internal Auditors-Chinese Taiwan	How Internal Auditors Interpret Business Performance and Identify Risks from IFRS-based Financial Statements	6 hours
		November 30, 2020	Computer Audit Association	Principles for Establishment of Authorization Level and Mechanism for Audit Risk Control	6 hours

(IX) Internal Control System Execution Status

1. Statement of Internal Control System

Shinkong Textile Co., Ltd.
Statement of Internal Control System

Date: March 30, 2021

Based on the findings of a self-assessment, Shinkong Textile Co., Ltd. (the Company) states the following with regard to its internal control system during the year 2020:

- I. The Company's Board of Directors and management are responsible for establishing, implementing, and maintaining an adequate internal control system. Our internal control is a process designed to provide reasonable assurance over the effectiveness and efficiency of our operations (including profitability, performance, and safeguarding of assets); reliability, timeliness and transparency of our financial reporting; and compliance with applicable laws and regulations.
- II. An internal control system has inherent limitations. No matter how perfectly designed, an effective internal control system can provide only reasonable assurance of accomplishing the three objectives mentioned above. Moreover, the effectiveness of an internal control system may be subject to changes of environment or circumstances. Nevertheless, our internal control system contains self-monitoring mechanisms, and Shinkong Textile takes immediate remedial actions in response to any deficiencies identified.
- III. The Company evaluates the design and operating effectiveness of its internal control system based on the criteria provided in the Regulations Governing the Establishment of Internal Control Systems by Public Companies (herein below, the "Regulations"). The criteria adopted by the Regulations identify five key components of internal control based on the process of management: 1. control environment, 2. risk assessment, 3. control activities, 4. information and communication, and 5. monitoring. Each component further contains several items. Please refer to the Regulations for details.
- IV. The Company has assessed the design and operating effectiveness of its internal control system according to the aforesaid criteria.
- V. Based on the findings of the evaluation mentioned in the preceding paragraph, the Company believes that, as of December 31, 2020, its internal control system (including its supervision of subsidiaries), as well as its internal controls to monitor the achievement of its objectives concerning operational effectiveness and efficiency; reliability, timeliness and transparency of financial reporting; and compliance with applicable laws and regulations, were effective in design and operation, and reasonably assured the achievement of the above-mentioned objectives.
- VI. This Statement will be an essential content of the Company's Annual Report and Prospectus, and will be publicly disclosed. Any falsehood, concealment, or other illegality in the content made public will entail legal liabilities under Articles 20, 32, 171, and 174 of the Securities and Exchanged Act.
- VII. This Statement has been approved in the Board of Directors' meeting on March 30, 2021, with 0 of the 7 attending Directors expressing objectives, and the remainder all affirming the content of this Statement.

Shinkong Textile Co., Ltd.

Chairman: Hsing-En Wu

President: Chin-Fa Chiu

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

- (X) Any penalties imposed upon the Company or internal personnel by laws, or punishment imposed by the Company on internal personnel for violation of the Company's internal control system regulations, major defects and corrective action thereof in the most recent year and as of the date of this annual report: None.
- (XI) Major resolutions of Shareholders' Meetings and Board of Directors' meetings in the most recent year and as of the date of this annual report

1. Shareholders' Meeting

Date of Meeting	Major Resolutions	Implementation Status
June 19, 2020	1. Election of Directors across-the-board.	Material information was released on the date of the shareholders' meeting.
	2. Approved the 2019 business report and financial statements.	The Company had complied with the resolution.
	3. Approved the 2019 earnings distribution.	The record date was set to be August 6, 2020. Distribution was completed by September 3, 2020 pursuant to the resolution of the shareholders' meeting. (Each share was entitled to cash dividend of NT\$1.) Information was disclosed at the Company's website and the Company proceeded in accordance with the amended procedures.
	4. Amended the Company's Articles of Incorporation.	Information was disclosed at the Company's website and the registration was completed on July 27, 2020 per approval from the Ministry of Economic Affairs.
	5. To release newly elected Directors from the non-compete restrictions.	Material information was released on the date of the shareholders' meeting.

2. Board of Directors' meetings

Session	Date of Meeting	Major Resolutions
17th meeting of the 22nd term	March 26, 2020	<ol style="list-style-type: none"> 1. Reviewed 2019 remuneration to Directors and compensation to employees. 2. Reviewed the 2019 business report and financial statements. 3. Reviewed the 2019 earnings distribution. 4. Reviewed the 2019 earnings distribution in the form of cash. 5. Reviewed the assessment on the independence and

Session	Date of Meeting	Major Resolutions
		<p>competence of CPAs.</p> <p>6. Reviewed the 2019 Statement of Internal Control System.</p> <p>7. Reviewed the performance assessment and remuneration system, standard, structure and plan of the Company's Directors and managerial officers and the principles for the distribution of 2019 year-end bonuses.</p> <p>8. Reviewed the election of Directors across-the-board.</p> <p>9. Amended the Company's Articles of Incorporation.</p> <p>10. Amended the Company's "Remuneration Committee Charter".</p> <p>11. Amended the Company's "Rules of Procedure for the Board of Directors' Meetings".</p> <p>12. Reviewed matters pertaining to the 2020 annual general meeting.</p>
18th meeting of the 22nd term	May 7, 2020	<p>1. Reviewed the nomination of Director candidates.</p> <p>2. Reviewed the Independent Director candidates nominated by shareholders.</p> <p>3. To review the releasing of newly elected Directors from the non-compete restrictions.</p> <p>4. Reviewed additional matters pertaining to the 2020 annual general meeting.</p> <p>5. Reviewed the amendments to the "Procedures for Acquisition or Disposal of Assets" of the subsidiary, Shinkong Asset Management Co., Ltd.</p>
19th meeting of the 22nd term	May 13, 2020	Reviewed the increase of equity investments in Chyang Sheng Dyeing & Finishing Co., Ltd.
1st meeting of the 23rd term	June 24, 2020	<p>1. Election of Chairman among Directors.</p> <p>2. Election of Vice Chairman among Directors.</p>
2nd meeting of the 23rd term	July 9, 2020	<p>1. Authorized the Chairman to renew the original loans and to negotiate with financial institutions on credit facilities during the term of office.</p> <p>2. Appointed members of the Remuneration Committee.</p> <p>3. Reassigned Directors and Supervisors of the subsidiary, Shinkong Asset Management Co., Ltd.</p>
3rd meeting of the 23rd term	August 12, 2020	<p>1. Provided guarantee for the Company's investee, Shang De Motor Co., Ltd., within the amount of NT\$ 72.36 million.</p> <p>2. Discussed the remuneration to Independent Directors.</p> <p>3. Reported the meeting minutes of the Remuneration Committee and the principles for the distribution of 2019 compensation to employees and remuneration to Directors.</p> <p>4. Employee promotion</p>
4th meeting of the 23rd term	November 11, 2020	<p>1. Reviewed the pledge of shares for loans.</p> <p>2. Reviewed the establishment of the Company's Code of Practice for Corporate Governance.</p>

Session	Date of Meeting	Major Resolutions
term		
5th meeting of the 23rd term	December 23, 2020	<ol style="list-style-type: none"> 1. Reviewed the 2021 budget. 2. Reviewed the Company's 2021 annual audit plans. 3. Reviewed the appointment of corporate governance officer and the establishment of ESG Task Force. 4. Reviewed the appointment of Vice President of Marketing Division. 5. Reviewed the establishment of the Company's "Principles of Ethical Corporate Management" and "Procedures and Guidelines of Ethical Corporate Management" 6. Reviewed the establishment of the Company's "Code of Ethical Conduct" 7. To review the split-up of the Company's 100%-owned subsidiary, Shinkong Asset Management Co., Ltd.

(XII) Different opinions expressed by Directors or Supervisors regarding major resolutions, either by recorded statement or in writing, in 2020 and as of the date of this annual report: None.

(XIII) Resignation or discharge of Chairman, President and Officers of Accounting, Finance, Internal Audit, Corporate Governance and Research and Development in 2020 and as of the date of this annual report: None.

V. Audit Fees for CPA

(In Thousands of New Taiwan Dollars)

Accounting Firm	Name of CPA		Audit Fee	Non-audit Fee					Audit Period	Remark
				System Design	Company Registration	Human Resource	Others (Note)	Subtotal		
Deloitte & Touché	Li-Huang Li	Jui-Chuan Chih	2,960	0	0	0	95	95	2020.01.01~2020.12.31	None

- (I) Non-audit fees paid to CPAs, CPA's accounting firms and their affiliates exceeding 25% of the audit fees: None.
- (II) Change of accounting firms with audit fee paid in the year of change being less than the previous year, the amounts and percentages of the audit fees before and after the change and the reasons shall be disclosed: None.
- (III) Over 15% decrease in audit fee on a year-to-year basis, the amounts and percentages of the decrease in audit fees and the reasons shall be disclosed: None.

VI. Change of CPA: None.

VII. Any of the Company's Chairman, President, or Managers in Charge of Finance or Accounting Held a Position in the CPA's Firm or Its Affiliates in the Most Recent Year: None.

VIII. Changes in Shareholding and Shares Pledged by Directors, Supervisors, Managers and Shareholders with 10% Shareholdings or More in the Most Recent Year and as of the Date of this Annual Report

(I) Changes in Shareholding by Directors, Supervisors, Managers and Major Shareholders:

Title	Name	2020		By April 20, 2021	
		Net Change in Shareholding	Net Change in Shares Pledged	Net Change in Shareholding	Net Change in Shares Pledged
Chairman Director Director	Ji Zhen Co., Ltd.	0	1,000,00	0	0
	Representative: Hsing-En Wu	0	0	8,000	0
	Representative: Hsin-Hung Wu	0	0	0	0
	Representative: Chin-Fa Chiu	0	0	0	0
Director	Shin Kong Wu Tung Ching Foundation	0	0	0	0
	Representative: Po-Han Lin	0	0	0	0
Independent Director	David Ching	0	0	0	0
Independent Director	Hon-Kit Shing	0	0	0	0
Independent Director	Mao-Jung Wang	0	0	0	0
President	Chin-Fa Chiu	0	0	0	0
Vice President	Shu-Ti Chang	0	0	0	0
Vice President	Cheng-Yao Lee	0	0	0	0
Assistant Vice President	Su-Chuan Ko	0	0	0	0
Assistant Vice President	Yung-Hsin Huang	0	0	0	0
Assistant Vice President	Chu-Ying Chen	0	0	0	0
Assistant Vice President	Jen-Tsung Wang	0	0	0	0

(II) Stock Transfer: None.

(III) Share Pledged: It is not applicable as the counterparty of the share

pledge is not a related party.

IX. Top 10 Shareholders Who are Related Parties, Spouses, or within Second-Degree of Kinship to Each Other

Relationship between Top 10 Shareholders

Name	Current Shareholding		Spouses, Minor Children		Nominee Arrangement		Names and Relationship of Top 10 Shareholders who are Related Parties, Spouses or within Second-Degree of Kinship to Each Other		Remark
	Shares	%	Shares	%	Shares	%	Name	Relation	
Shinkong Synthetic Fibers Corporation	28,378,958	9.46	-	-	-	-	1. Shin Kong Wu Ho-Su Memorial Hospital	1. Representative of Corporate Chairman and the Chairman and Director are within second-degree of kinship to each other. 2. Representative of Corporate Director and the Director are the same person. Representative of Corporate Director and the Chairman and Director are within second-degree of kinship to each other.	None
Representative: Tung-Sheng Wu	0	0	218,090	0.07	0	0	2. Ji Zhen Co., Ltd.		
Shin Kong Wu Ho-Su Memorial Hospital	20,979,735	6.99	-	-	-	-	1. Shinkong Synthetic Fibers Corporation	1. The Chairman and representative of Corporate Chairman are within second-degree of kinship to each other.	None
Representative: Tung-Ching Wu	1,493,882	0.50	0	0	0	0			
Ji Zhen Co., Ltd.	19,650,000	6.55	-	-	-	-	1. Shinkong Synthetic Fibers Corporation	1. The Director and representative of Corporate Director are the same person. Chairman, Director, Supervisor and representative of Corporate Director are within second-degree of kinship to each other.	None
Representative: Jo-Nan Sun	0	0	0	0	0	0			
Hong Pu Co., Ltd.	14,051,000	4.68	-	-	-	-	None	None	None
Representative: Hsin-Chun Yen	0	0	0	0	0	0			
Lian Quan Investment Co., Ltd.	13,633,872	4.54	-	-	-	-	None	None	None
Representative: Ting Chuang	0	0	0	0	0	0			
He Rui Industrial Co.,	12,000,000	4.00	-	-	-	-	1. Mian Hao Industrial Co.,	1. The Corporate Director and representative of	None

Name	Current Shareholding		Spouses, Minor Children		Nominee Arrangement		Names and Relationship of Top 10 Shareholders who are Related Parties, Spouses or within Second-Degree of Kinship to Each Other		Remark
	Shares	%	Shares	%	Shares	%	Name	Relation	
Ltd.							Ltd.	Corporate Director as well as the Corporate Supervisor and representative of Corporate Director are the same person.	
Representative: Wei-Hsun Wang	0	0	0	0	0	0			
Qian Cheng Yi Co., Ltd.	11,797,300	3.93	-	-	-	-	None	None	None
Representative: Ching-Hsiang Wang	0	0	0	0	0	0			
Cheng Guang Industrial Co., Ltd.	10,914,545	3.64	-	-	-	-	None	None	None
Representative: Hao Chuang	0	0	0	0	0	0			
Hua Chen Co., Ltd.	10,698,049	3.57	-	-	-	-	None	None	None
Representative: Ching-Chin Chang	12,120	0	0	0	0	0			
Mian Hao Industrial Co., Ltd.	8,123,544	2.71	-	-	-	-	1. He Rui Industrial Co., Ltd.	1. The Corporate Supervisor and representative of Corporate Director as well as the Corporate Director and representative of Corporate Director are the same person.	None
Representative: Chen-Tung Chen	0	0	0	0	0	0			

X. Comprehensive Shareholding Information Relating to Company, Directors, Management, and Companies Affiliated through Direct and Indirect Investment

As of April 30, 2021

Investee (Note)	Ownership by the Company		Ownership by Directors, Supervisors, Managerial Officers and Directly or Indirectly Controlled Entities		Total Ownership	
	Shares	%	Shares	%	Shares	%
Shinkong Asset Management Co., Ltd.	25,490,646	100.00%	0	0	25,490,646	100.00%
Lian Quan Investment Co., Ltd.	11,192,880	48.89%	0	0	11,192,880	48.89%
SK INNOVATION CO., LTD.	700,000	100.00%	0	0	700,000	100.00%
Shang De Motor Co., Ltd.	9,715,000	33.50%	0	0	9,715,000	33.50%
WPI-Hight Street LLC	—	35.71%	0	0	-	35.71%

Note: The Company's long-term investments accounted for under the equity method

Chapter IV. Capital Overview

I. Capital and Shares

(I) Source of capital in the most recent year and as of the date of this annual report

Month/Year	Issue Price (NT\$)	Authorized Capital		Paid-in Capital		Remark		
		Shares (In Thousands of Shares)	Amount (In Thousands of New Taiwan Dollars)	Shares (In Thousands of Shares)	Amount (In Thousands of New Taiwan Dollars)	Source of Capital	Capital Increase by Assets Other than Cash	Others
1955/06	10	1,000	10,000	1,000	10,000	Cash	None	Note 1
1957/03	10	2,000	20,000	2,000	20,000	Cash capital increase of NT\$10,000 thousand	None	None
1962/02	10	6,600	66,000	6,600	66,000	Cash capital increase of NT\$46,000 thousand	None	None
1965/03	10	12,000	120,000	12,000	120,000	Cash capital increase of NT\$24,300 thousand Capitalization of retained earnings of NT\$13,060 thousand Capitalization of capital surplus of NT\$16,640 thousand	None	None
1066/06	10	13,200	132,000	13,200	132,000	Cash capital increase of NT\$4,800 thousand Capitalization of retained earnings of NT\$7,200 thousand	None	None
1973/04	10	16,000	160,000	16,000	160,000	Capitalization of retained earnings of NT\$28,000 thousand	None	None
1974/10	10	32,000	320,000	32,000	320,000	Capitalization of retained earnings of NT\$112,000 thousand Capitalization of capital surplus of NT\$48,000 thousand	None	None
1975/05	10	42,000	420,000	42,000	420,000	Capitalization of retained earnings of NT\$36,000 thousand Capitalization of capital surplus of NT\$64,000 thousand	None	None
1977/11	10	60,000	600,000	60,000	600,000	Cash capital increase of NT\$180,000 thousand	None	None
1985/12	10	120,000	1,200,000	100,000	1,000,000	Cash capital increase of NT\$400,000 thousand	None	Note 2
1989/08	30	200,000	2,000,000	140,000	1,400,000	Cash capital increase of NT\$200,000 thousand Capitalization of capital surplus of NT\$200,000 thousand	None	Note 3
1990/05	120	200,000	2,000,000	165,500	1,655,000	Cash capital increase of NT\$115,000 thousand Capitalization of capital surplus of NT\$140,000 thousand	None	Note 4
1990/11	10	200,000	2,000,000	200,000	2,000,000	Capitalization of capital surplus of NT\$345,000 thousand	None	Note 5
1991/11	10	360,000	3,600,000	240,000	2,400,000	Capitalization of capital surplus of NT\$400,000 thousand	None	Note 6

1994/07	10	360,000	3,600,000	264,000	2,640,000	Capitalization of capital surplus of NT\$240,000 thousand	None	Note 7
1995/07	10	360,000	3,600,000	290,400	2,904,000	Capitalization of capital surplus of NT\$264,000 thousand	None	Note 8
2006/09	10	360,000	3,600,000	297,660	2,976,600	Capitalization of retained earnings of NT\$72,600 thousand	None	Note 9
2007/09	10	360,000	3,600,000	300,041.28	3,000,412.80	Capitalization of retained earnings of NT\$23,812.8 thousand	None	Note 10

Note 1: Registration of incorporation.

Note 2: By Official Letter Tai-Cai-Zheng-(I) No. 14858 on December 3, 1985 (1985).

Note 3: By Official Letter Tai-Cai-Zheng-(I) No. 00622 on March 31, 1989 (1989).

Note 4: By Official Letter Tai-Cai-Zheng-(I) No. 02585 on December 26, 1989 (1989).

Note 5: By Official Letter Tai-Cai-Zheng-(I) No. 02449 on October 1, 1990 (1990).

Note 6: By Official Letter Tai-Cai-Zheng-(I) No. 57868 on October 4, 1991 (1991).

Note 7: By Official Letter Tai-Cai-Zheng-(I) No. 27066 on June 10, 1994 (1994).

Note 8: By Official Letter Tai-Cai-Zheng-(I) No. 33108 on June 6, 1995 (1995).

Note 9: Official Letter Jin-Guan-Zheng-(I)-Zi No.0950135735 on August 11, 1996.

Note 10: Official Letter Jin-Guan-Zheng-(II)-Zi No.0960040175 on August 31, 1997.

Shares Type	Authorized Capital			Remark
	Outstanding Shares	Unissued Shares	Total	
Common Shares	300,041,280	59,958,720 shares	360,000,000 shares	Listed stocks

(II) Shareholder Composition

Book Closure Date: April 20, 2021

Type	Government Agencies	Financial Institutions	Other Juridical Person	Domestic Natural Persons	Foreign Institutions and Natural Persons	Total
Number of Shareholders	0	15	106	15,389	53	15,617
No. of Shares	0	7,574,201	240,602,974	44,977,316	6,886,789	300,041,280
Ownership %	0.00%	2.52%	80.19%	14.99%	2.30%	100.00%

(III) Shareholding Distribution

NT\$10 per share

As of April 20, 2021

Shareholding	Number of Shareholders	No. of Shares	Ownership %
1~999	11,933	1,539,952	0.51
1,000~5,000	2,858	5,465,251	1.82
5,001~10,000	391	2,670,827	0.89
10,001~15,000	135	1,589,788	0.53
15,001~20,000	52	914,506	0.30
20,001~30,000	67	1,650,140	0.55
30,001~40,000	24	840,725	0.28
40,001~50,000	15	693,769	0.23
50,001~100,000	37	2,720,468	0.91
100,001~200,000	28	4,064,129	1.35
200,001~400,000	14	4,074,176	1.36
400,001~600,000	10	5,025,358	1.67
600,001~800,000	3	2,205,686	0.74
800,001~1,000,000	7	5,984,358	2.00
1,000,001 to 999,999,999	43	260,602,147	86.86
Total	15,617	300,041,280	100.00

(IV) Major Shareholders

Major Shareholders	Shareholding	No. of Shares	Ownership % (%)
Shinkong Synthetic Fibers Corporation		28,378,958	9.46
Shin Kong Wu Ho-Su Memorial Hospital		20,979,735	6.99
Ji Zhen Co., Ltd.		19,650,000	6.55
Hong Pu Co., Ltd.		14,051,000	4.68
Lian Quan Investment Co., Ltd.		13,633,872	4.54
He Rui Industrial Co., Ltd.		12,000,000	4.00
Qian Cheng Yi Co., Ltd.		11,797,300	3.93
Cheng Guang Industrial Co., Ltd.		10,914,545	3.64
Hua Chen Co., Ltd.		10,698,049	3.57
Mian Hao Industrial Co., Ltd.		8,123,544	2.71

(V) Market price, net worth, earnings and dividends per share for 2019 and 2020

Item	Year		2019	2020	January 1, 2021 to April 30, 2021
Market Price per Share	Highest		45.80	50.60	43.50
	Lowest		40.00	33.40	39.65
	Average		42.53	44.43	41.39
Net Worth per Share	Before distribution		NT\$29.09	NT\$30.37	(Note 3)
	After distribution		(Note 2)	(Note 2)	—
Earnings per Share	Weighted Average No. of Shares (Note 1)		299,237 thousand shares	299,237 thousand shares	299,237 thousand shares
	Earnings per Share		NT\$1.29	NT\$1.22	(Note 3)
Dividends Per Share	Cash dividends		NT\$1 (Note 2)	NT\$1 (Note 2)	—
	Stock dividends	None	None	None	—
		None	None	None	—
	Accumulated Undistributed Dividend		(Note 2)	(Note 2)	—
Return on Investment	Price/Earnings Ratio		32.65	34.61	—
	Price/Dividend Ratio		42.12	42.23	—
	Cash Dividends Yield		2.37%	2.37%	—

Note 1: Due to the adoption of IAS 27 “Consolidated and Separate Financial Statements,” subsidiaries’ holdings in the parent company were accounted for as treasury shares.

Note 2: The Board resolved to distribute a cash dividend of NT\$1 per share.

Note 3: The financial statements for the first quarter of 2021 are yet to be reviewed by CPAs.

(VI) Dividend policy and implementation status:

1. Dividend policy:

Net income of the year, if any, shall be first appropriated to offset accumulated losses (including the adjustments to unappropriated earnings) before allocating 10% of the remaining earnings to the legal reserve. However, this rule is not applicable where accumulated legal reserve has equaled the Company's paid-in capital. A special reserve is then appropriated or reversed pursuant to applicable laws and regulations. The Board of Director would then prepare an earnings distribution proposal based on the remaining balance together with unappropriated earnings at the beginning of the period (including the adjustments to unappropriated earnings). Where the earnings are distributed in the form of cash, the Board of Directors is authorized to approve the distribution by a resolution approved by a majority vote at a meeting attended by over two-thirds of the Directors and report to the shareholders' meeting. Where they are distributed in the form of stock dividends, the distribution shall be resolved at the shareholders' meeting.

In line with long-term financial planning, the Company adopts a remaining dividend policy in pursue of sustainable and stable business development and takes into account the capital budgets and working capital requirements. Earnings may be distributed in the form of cash and/or stocks. The cash dividends shall not be less than ten percent of the total dividends.

2. Implementation status:

The Board of Directors has resolved the 2020 earnings distribution proposal.

Cash dividend is NT\$1 per share.

(VII) Impact of stock dividends on operation performance and earnings per share: Not applicable.

(VIII) Compensation to employees and remuneration to Directors

1. If the Company makes profits for the year, at least one percent of the balance shall be appropriated as compensation to employees and the Board of Directors would resolve whether to make the distribution in the form of stock or cash. The Company may have the Board of Directors resolved to appropriate no more than five percentage of the said profits as remuneration to Directors. The proposal for distribution of compensation to employees and remuneration to Directors shall be reported at the shareholders' meeting. However, in case of any cumulative losses, the Company shall reverse a certain amount to cover the losses before appropriating the compensation to employees and remuneration to Directors based on aforementioned ratios.

2. The estimation basis of compensation to employees and remuneration to Directors, calculation basis for number of shares distributed as employee compensation and accounting treatments for difference between estimated and actual payment amount:

The compensation to employees and remuneration to Directors were calculated at 1.89% of the profit (pre-tax profits after deducting compensation to employees and remuneration to Directors). After the end of the year, if there are significant changes in the distribution amount resolved in the Board of Directors' meeting, the change is adjusted in the year when expenses are recognized. If the number changes again subsequently, the changes are accounted for as a change in accounting estimates.

3. Information concerning 2020 compensation to employees and remuneration to Directors resolved in the Board of Directors' meeting in 2021:

(1) To distribute compensation to employees of NT\$7,400,000 and remuneration to Directors of NT\$7,400,000.

(2) Amount of stock distributed as employee compensation and as a

percentage to net income of parent company only or individual financial statements and aggregate compensation to employees: Not applicable.

4. The actual distribution of compensation to employees and remuneration to Directors in the previous year (including the number, amount and stock price of stocks distributed), the deviation between the actual distribution and the estimated figures, if any, and the cause and treatment thereof:

The 2020 Board of Directors' meeting resolved to distribute compensation to employees and remuneration to Directors of NT\$7,600,000 each and there were no discrepancies between the actual sum distributed and the recognized amount.

(IX) Buyback of the Company's stocks: None.

II. Issuance of Corporate Bonds, Preferred Shares, Global Depository Shares, and Employee Stock Option, and Issuance of New Shares for Mergers and Acquisition of Other Companies: None.

III. Implementation of Capital Allocation Plans

(I) Plan details

Previous issuance or private placement of securities not yet completed or completed in the past three years with benefits yet to be shown as of the quarter preceding the date of this annual report: None.

(II) Implementation status: Not applicable.

Chapter V. Operational Highlights

I. Business

(I) Business scope

1. Major products/services

- (1) C302010 Weaving of Textiles
- (2) C305010 Printing, Dyeing, and Finishing
- (3) C306010 Wearing Apparel
- (4) C399990 Other Textile and Products Manufacturing
- (5) F104110 Wholesale of Cloths, Garments, Shoes, Hats, Umbrellas and Clothing Accessories
- (6) F106020 Wholesale of Daily Commodities
- (7) F204110 Retail Sale of Cloths, Garments, Shoes, Hats, Umbrellas and Clothing Accessories
- (8) F206020 Retail Sale of Daily Commodities
- (9) F301010 Department Stores
- (10) F399040 Retail Sale No Storefront
- (11) F401010 International Trade
- (12) F401021 Restrained Telecom Radio Frequency Equipment and Materials Import
- (13) G202010 Parking Area Operators
- (14) H701010 Housing and Building Development and Rental
- (15) H701020 Industrial Factory Development and Rental
- (16) H703090 Real Estate Business
- (17) H703100 Real Estate Leasing
- (18) I301010 Information Software Services
- (19) I501010 Product Designing
- (20) J202010 Industry Innovation and Incubation Services
- (21) JB01010 Conference and Exhibition Services
- (22) ZZ99999 All business items that are not prohibited or restricted by law, except those that are subject to special approval

2. Major products as a percentage to revenue

Main Products	Net Revenue (In Thousands of New Taiwan Dollars)	Weighting (%)
Textile	1,159,247	54%
Retail sale/Garment	633,054	29%
Rental revenue	355,916	17%
Others	996	0%
Total	2,149,213	100%

3. Major products

- (1) Outdoor functional fabrics
- (2) Sports functional fabrics
- (3) Fashion fabrics
- (4) Composite multi-functional fabrics
- (5) Digital print fabrics
- (6) Industrial, and medical care related products

4. Development of new products:

- (1) Development of Infinity Shirt Project (ISP)
- (2) Development of eco-friendly products.

(II) Industry Overview

1. Industry status and development

The value chain of Taiwan's textile industry has developed for over 60 years since the end of the 1950s. Under trials from enormous international demand, the industry has undergone several industrial upgrades. It has transformed from using imported raw materials at the early stage to raw materials derived from petrochemicals for synthetic fibers. It heads towards elaboration and differentiation and has forged a sophisticated production system with upstream, midstream and downstream entities.

Based on the "Overview of Taiwan's Export and Import of Textile" published by Taiwan Textile Federation (TTF), R.O.C., total export amounted to US\$7,533 million in 2020, down 18% year-over-year; total import amounted to US\$3,369 million, down 5% year-over-year; and total trade surplus amounted to US\$4,164 million, a decrease of US\$1,656 million (28%) year-over-year.

Fabric remains the primary export item in the textile industry. With an export value of US\$5,060 million, it accounted for 67% of the export and dropped 19% compared to 2019. The total export volume was 624.7 thousand tonnes, a decrease of 20% compared to 2019. The unit price of export went up by 2%. Yarn was second to fabric in terms of exports. It accounted for 14% of the total textile exports, followed by miscellaneous (7%), fiber (6%) and apparel (6%). Of the five major export items, miscellaneous showed a positive growth of 27% while all other products had declined. Fabric, the number one export item, was down by 19% while fiber, yarn, and apparel dropped by 20%, 29% and 13%, respectively. Based on the import value, apparel was the primary import item (accounted for 54% and down 7% year-over-year), followed by fabric (accounted for 16% and up 9%), miscellaneous (accounted for 11% and up 6%), yarn (accounted for 10% and up 1%) and fiber (accounted for 9% and down 31%).

Variants of COVID-19 bring uncertainties to the global pandemic and the incomplete lifting of preventive and lockdown measures hampers the economic recovery worldwide. However, the arrival of effective vaccines may gradually reduce the uncertainties casted by the pandemic on the consumer market. As the inventory levels of major sports brands start to decrease recently, orders begin to pick up and the entire supply chain of the textile industry can feel the coming recovery. These factors and the pull-in orders before the Chinese New Year in China have promised a steady upward trend of exports for the first quarter.

Items	Export Values (Unit: US\$ 100 Million)	Proportion (%)	Year-over-Year (%)	Export Volume (10,000 Tons)	Year-over-Year (%)	Unit Price (US\$/Kg)	Year-over-Year (%)
1. Fiber	4.82	6	-20	40.11	-8	1.20	-13
2. Yarn	10.24	14	-29	39.83	-25	2.57	-6
3. Fabric	50.60	67	-19	62.47		8.10	2
4. Apparel	4.12	6	-13	2.06		19.93	4
5. Miscellaneous	5.55	7	27	7.08	-15	7.85	50
Total	75.33	100	-18	151.55	-18	4.97	1

Source: TTF Overview of Taiwan's Export and Import of Textile (2020 FY)

2. Relationship amongst upstream, midstream, and downstream of the industry:

The textile industry chain starts with raw materials such as petrochemicals or natural cotton and wool, which are manufactured into man-made fiber or natural fiber products including nylon fibers, polyester fiber, rayon fiber, wool, and silk. These products are then spun into yarns and wove into cloths. After the dyeing & finishing processes of breaching, dyeing, printing, coating and finishing, they are sewed to produce finished garments or other textile products.

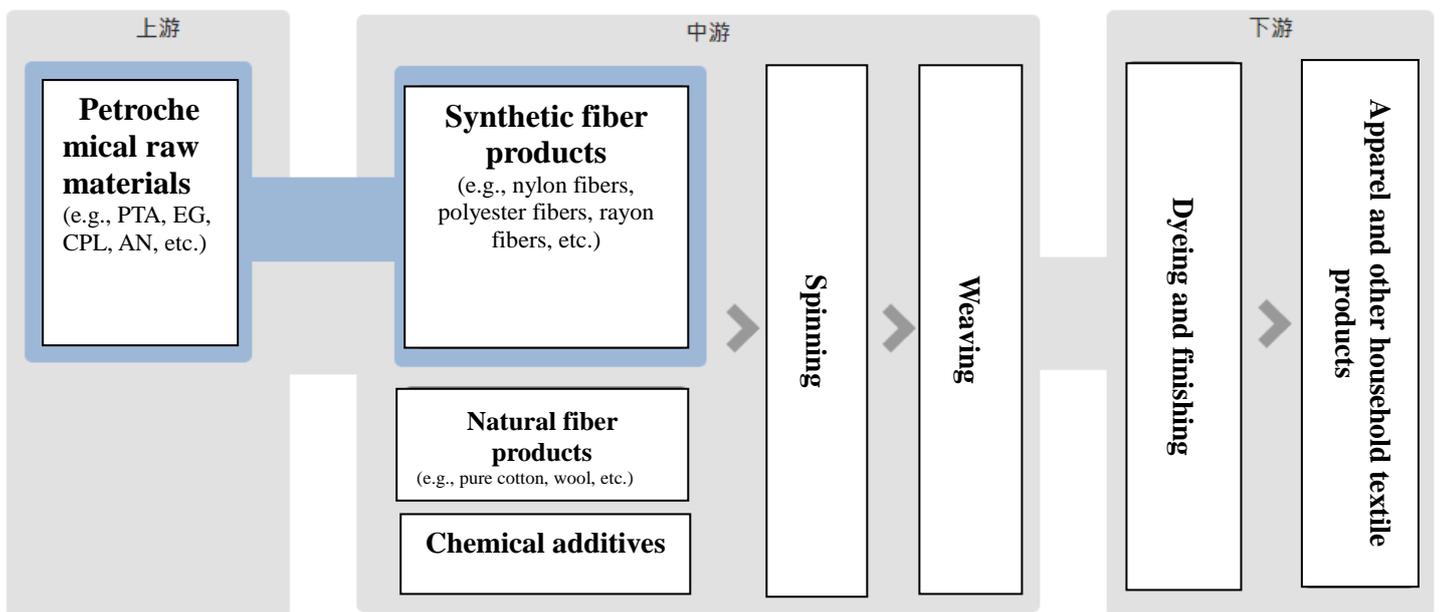
The upstream of industry chain includes natural cotton, wool, silk and linen as well as petrochemicals such as raw materials for polyester products, i.e., Ethylene Glycol (EG) and Pure Terephthalic Acid (PTA); raw materials for nylon products, i.e., Caprolactam (CPL); and raw materials for acrylic fiber, i.e., Acrylonitrile (AN).

The midstream contains synthetic fiber products, natural fiber products, chemical additives and yarns and fabrics spun and wove by aforementioned materials. Synthetic fiber accounts for 85% of textile produced in Taiwan and of which, polyamide (nylon) and polyester products are the mainstream products. Nylon chips can be made into nylon filament and nylon draw textured yarn while polyester chips can be used to produce polyester filament, polyester

staple and draw textured yarn. Nylon filament can produce fabrics for clothing, bags, umbrella, webbing, inner lining, swimming suit, underwear, ski suits, military back bags, etc. Currently, the sources of raw materials for domestic textile manufacturers include Taiwanese and foreign vendors. The latter mostly provide natural fibers.

The downstream of textile industry chain are dyeing & finishing, apparel and other household textile industry. Dyeing and finishing are crucial stages in the textile industry chain in terms of product differentiation and value-added. Lately, the dyeing and finishing industry focuses on enhancing relevant technologies and developing low-carbon or eco-friendly green products in response to the worldwide demand for environmental protection. Apparel and household textile industry require high level of processing and value-added. However, lack of labor, increasing wages and the rise of emerging countries such as Indonesia, Turkey, Brazil, Mainland China, Vietnam, etc. drive Taiwanese manufacturers to gradually adjust the industrial structure by shifting from production to marketing as well as directly investing in overseas markets and strengthen their product design capability.

The Company mostly engages in textile weaving as well as dyeing and finishing. We are positioned at the midstream and downstream of the textile industry value chain.



Source: Industry Value Chain Information Platform

3. Product development trend:

(1) Woven Fabrics

Taiwan is lacking in natural fibers. However, our production of synthetic fiber such as polyester fiber and nylon fibers is among the top three in the world. The cost for synthetic fiber production is relatively cheap and polyester fiber is expected to be the focus of Taiwan's future development. Moreover, filament is superior than staple fiber and versatile, and has gradually become the mainstream in the global market. Due to the high versatility of synthetic fiber, advancement in technology and continuous research and development by synthetic fiber manufacturers will bring more fibers with specific functions to the market for clothing and industry-use. Consequently, the weaving industry will produce fabrics with specific functions for garments and industry-use.

As the importance of functional textile rises, textile has

also advanced to fabrics with functions of breathable-wind-proof, breathable-water-proof, fast drying, anti-pilling, stretch and fitting as well as synergies of lightweight thermal and breathable-water-proof. The high-tech industry is currently seeking collaboration opportunities with the textile industry to develop wearable tech products.

(2) Digital print fabrics

Textile industry was one of Taiwan's major exporter in the past. With industry migration, low price and massive garment dumping, Taiwan's textile industry is aggressively seeking the direction for industrial revolution. The traditional textile printing is no longer sufficient to support the innovative materials which are favored by major international brands, the rich color and blueprint details for the fashion industry to present innovations and the fast fashion trends. In contrast, digital printing reduces the complex and repetitive steps of design and plate making. It significantly enhances effectiveness, reduces costs and cuts down labor, bringing more convenience and benefits to the fast-changing fashion industry.

Digital printing is superior to screen printing in many ways. Compared with the traditional printing and dyeing, it shortens the process and eliminates the trouble of plate-making which saves energy consumption (about 40~75% in electricity and water). It also substantially reduces the use of dye and chemicals. The popularity of digital printing changes the long-established textile printing industry by significantly enhancing production efficiency and mitigating the impact on the environment.

4. Product competition:

The Company's principal business is the export of fabrics. Our competitors with much homogeneity are as follows:

Weaving				
TWSE-listed Companies (19)	*Formosa Chemicals & Fibre Corp.	*Shinkong Textile Co., Ltd.	*Formosa Taffeta Co., Ltd.	*Universal Textile Co., Ltd.
	*Hong Ho Precision Textile Co., Ltd.	*Li Peng Enterprise Co., Ltd.	*Chia Her Industrial Co., Ltd.	*Nien Hsing Textile Co., Ltd.
	*Taiwan Taffeta Fabric Co., Ltd.	*I-Hwa Industrial Co., Ltd.	*De Licacy Industrial Co., Ltd.	*Everest Textile Co., Ltd.
	*Wisher Industrial Co., Ltd.	*Chang Ho Fibre Corporation	*Tri Ocean Textile Co., Ltd.	*Honmyue Enterprise Co., Ltd.
	*Eclat Textile Co., Ltd.	*Li Cheng Enterprise Co., Ltd.	*Shinih Enterprise Co., Ltd.	
TPEX-listed Companies (2)	*Est Global Apparel Co., Ltd.	*Ensure Global Corp., Ltd.		
Emerging Stock Company (1)	*Mytrex Health Technologies, Inc.			
Well-known foreign companies (3)	*Esquel China Holdings Limited	*Jiangsu Lianfa Textile Co., Ltd.	*LUTHAI Group	

A total of 25 companies

Dyeing and finishing				
TWSE-listed Companies (19)	*Nan Ya Plastics Corporation	*Formosa Chemicals & Fibre Corp.	*Far Eastern New Century Corporation	*Nan Yang Dyeing & Finishing Co., Ltd.
	*Shinkong Textile Co., Ltd.	*TRK Corporation	*Formosa Taffeta Co., Ltd.	*Li Peng Enterprise Co., Ltd.
	*Chia Her Industrial Co., Ltd.	*Nien Hsing Textile Co., Ltd.	*Yi Jinn Industrial Co., Ltd.	*Everest Textile Co., Ltd.
	*Chyang Sheng Dyeing & Finishing Co., Ltd.	*De Licacy Industrial Co., Ltd.	*Tex-Ray Industrial Co., Ltd.	*Chang Ho Fibre Corporation

	*Evertex Fabrinoology Ltd.	*Tri Ocean Textile Co., Ltd.	*Big Sunshine Co., Ltd.
TPEX-listed Companies (2)	*Toung Loong Textile Mfg. Co., Ltd.	*Singtex Industrial Co., Ltd.	
Well-known foreign companies (3)	*Qingdao Phoenix Printing and Dyeing Co., Ltd.	*Federation Sanhe (Fujian) Co., Ltd.	*Sheng Hong Group Holdings Limited

A total of 24 companies

Source: Industry Value Chain Information Platform

(III) Technology and research and development:

1. Research expense

Unit: In Thousands of New Taiwan Dollars

Year	2019	2020	As of April 30, 2021
Research and Development Expenses	27,837	23,704	9,319

2. Technology or product developed

- (1) Zero carbon and water repellent technology
- (2) Lightweight bi-stretch fabric
- (3) Functional wool knitted fabric

(IV) Long-term and short-term business development plans:

1. Short-term development strategies:

- (1) Strengthen cooperation with well-known brands.
- (2) Continue the development of diverse product portfolio to differentiate from competitors.
- (3) Enhance supply chain quality and reduce costs to improve productivity.

2. Long-term development strategies:

- (1) Strengthen the research and development of high-end technologies to stand out in the market.
- (2) Explore high value-added markets and enhance competitive edge.

II. Market and Sales Overview

(I) Market analysis:

1. Sales distribution by region:

Marketing Department:

Focusing on renowned apparel brands in the United States and Europe, and developing the Asian market.

Retail Department:

Acting as agent for PGA TOUR of the United States, being the dealer of apparel brands such as ADIDAS GOLF and creating fashion brands such as ARTIFACTS, ART HAUS and ASPORT. In addition, the Company handles the design and production of group uniforms, specializing in uniforms for companies and firms or the gift markets.

Construction Department:

Engaging in the leasing of houses and land. The occupancy rate has improved every year.

2. Future supply and demand and market growth:

(1) The trend of fashionable and functional apparel continues: The demand for products combining fashion and functionality continues to rise. As the fabric features of such products are the Company's area of investments and focus over the years, the growth potential of the market is very optimistic.

3. Competitive advantage and favorable and unfavorable factors for long-term development and its countermeasures:

(1) Favorable factors:

1) Taiwan's production of polyester fiber and nylon fibers is among the top three in the world, which facilitates the development of textile products.

2) Institutions including the government, the academia and corporations actively support the upgrading and

transformation of the textile industry.

- 3) Textile for garments and home decoration have strong differentiation advantages as well as comprehensive design, manufacturing and marketing systems.
 - 4) The Company has excellent research and development capabilities for composite and diverse fabrics and textile products as well as accesses to the latest fashion news.
 - 5) The cancellation of quota for filament fabrics is favorable to export.
 - 6) The directions and designs of products have been well received by consumers. Continuous exploration on existing foundation will result in greater development.
 - 7) Our well-established relationship with overseas suppliers gives us access to the latest and unique fabrics.
 - 8) We closely monitor market trends and adjust sales strategies accordingly.
 - 9) Brand reform and substantial reduction in inventory allow the brands to adjust and align their targets and strategies with market demand.
 - 10) The Company has excellent retail channels. Products can enter and expand in the market quickly.
- (2) Unfavorable factors:
- 1) Companies need to strengthen their research and development capabilities and make up for the lacking in innovative textiles and latest information abroad.
 - 2) The number of domestic textile workers has been decreasing. Younger generation is reluctant to enter the textile market.
 - 3) International oil prices fluctuate sharply.
 - 4) Small market scale and numerous competitions restrain the expansion of new brands in Taiwan.
 - 5) Consumer preferences change rapidly. Companies need to develop unique and innovative products to attract

consumers.

(II) Main applications and manufacturing process of key products:

1. Main applications of key products

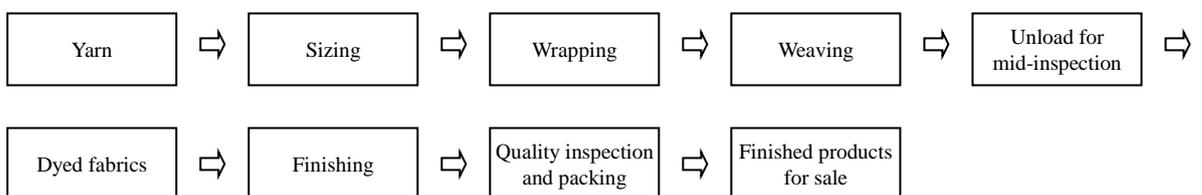
Fabric for clothing: The primary applications are outdoor functional sportswear, ski wear, swimwear and casual wear. The manufacturing processes include yarn dyed woven and knitted fabrics, piece dyed woven and knitted fabrics, and digital print woven and knitted fabrics. Different resin finishing such as wicking, durable water repellency (DWR) or anti-bacteria is applied based on product functionality. Laminating, coating and pressing can then be applied if necessary.

2. Manufacturing process of key products

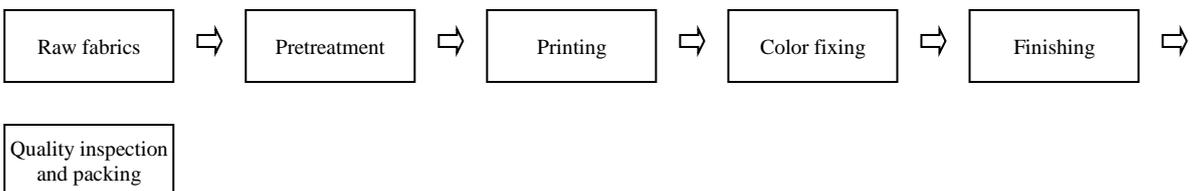
[Yarn Dyed Fabrics]



[Piece Dyed Fabrics]



[Digital Print Fabrics]



(III) Supply of key raw materials:

Based on delivery schedule, quality and costs, the Company may choose domestic purchases or direct import with flexibility.

(IV) Suppliers/customers account for 10% or more of the Company's total purchase/sales in the most recent two years:

1. Key suppliers in 2020 and 2019

(In Thousands of New Taiwan Dollars)

Items	2020				2019				Up to March 31, 2021(Note)			
	Name	Amount	Percentage to Annual Net Purchase (%)	Relationship with the Company	Name	Amount	Percentage to Annual Net Purchase (%)	Relationship with the Company	Name	Amount	Percentage to Net Purchase up to Q1 (%)	Relationship with the Company
1	Suppler A	189,725	16.86	-	Suppler A	116,698	9.80	-	-	-	-	-
	Others	935,867	83.14	-	Others	1,073,550	90.20	-	-	-	-	-
	Net Purchase	1,125,592	100.00	-	Net Purchase	1,190,248	100.00	-	Net Purchase	-	-	-

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

2. Key customers in 2020 and 2019

Items	2020				2019				Up to March 31, 2021(Note)			
	Name	Amount	Percentage to Annual Net Revenue (%)	Relationship with the Company	Name	Amount	Percentage to Annual Net Revenue (%)	Relationship with the Company	Name	Amount	Percentage to Net Revenue up to Q1 (%)	Relationship with the Company
1	Company A	212,418	11.85	Related party in substance	Company A	160,257	9.20	Related party in substance	-	-	-	-
	Others	1,579,196	88.15	-	Others	1,580,968	90.80	-	-	-	-	-
	Net Revenue	1,791,614	100.00	-	Net Revenue	1,741,225	100.00	-	Net Revenue	-	-	-

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

(V) Volume and value of the production in the most recent two years

Items	2020			2019		
	Production Capacity (In Thousand Yards)	Production Volume (In Thousand Yards)	Production Value (In Thousands of New Taiwan Dollars)	Production Capacity (In Thousand Yards)	Production Volume (In Thousand Yards)	Production Value (In Thousands of New Taiwan Dollars)
Self-Produced Gerige	4,130	2,791	69,981	4,467	3,386	85,840
Dyeing & Finishing Finished Fabrics	13,081	9,624	263,714	12,681	10,145	271,098

(VI) Sales volume and revenue in the most recent two years

Unit for sales revenue: In Thousands of New Taiwan Dollars

Items	Unit	2020				2019			
		Domestic Sales		Overseas Sales		Domestic Sales		Overseas Sales	
		Volume	Revenue	Volume	Revenue	Volume	Revenue	Volume	Revenue
CVC yarn	KG	90,661.85	17,686			80,474.17	11,535	-	-
Fabrics	Yard	947,992	114,691	9,222,293	996,755	1,041,245	90,376	8,647,226	1,018,448
OEM - Fabrics		-	22,551	-	-	-	47,216	-	-
Rental income		-	355,916	-	-	-	344,123	-	-
Retail sale/Garment		-	581,963	-	56,983	-	495,103	-	37,833
Others		-	2,639	-	29	-	38,735	-	212
Total			1,095,446	9,222,293	1,053,767	-	1,027,088	-	1,056,493

III. Employee Information

Year		2019	2020	As of April 30, 2021
No. of Employees	R.O.C.	383	371	403
	Foreign labors	113	104	100
	Total	496	475	503
Average Age		38.50	39.08	39.42
Average Year of Service		4.67	5.67	5.58
Education	Ph.D.	0.40%	0.42%	0.40%
	Master's Degree	7.26%	7.37%	7.95%
	Bachelor's Degree	44.96%	44.21%	43.74%
	Senior High School	41.73%	42.32%	40.16%
	Below Senior High School	5.65%	5.68%	7.75%

IV. Expenditure Related to Environmental Protection

- (I) In the past two fiscal years and as of the date of this annual report, the Company has not incurred losses nor received punishment due to pollution.
- (II) Action plans

The Company engages in textile weaving as well as dyeing and finishing. We have installed facilities to control air pollution and wastewater from the manufacturing process. No significant environmental capital expenditure is expected in the future.

V. Employment Relations

- (I) Current agreements with employee and employee welfare:

1. Employee welfare

- (1) Employees are entitled to labor insurance, health insurance and contributions to labor pension as required by law. The Company also provides group accident insurance and life insurance plans and engages affiliates to offer employee benefit insurance plans for employees and their family members. Expatriates are entitled to extensive and comprehensive group insurance coverages.
- (2) The Company implements gender equality and stresses the importance of employee care and a friendly workplace. As of the date of this annual report, female employees accounted for approximately 63% of the total number of employees. Female employees with titles of assistant vice president or above accounted for 57%.
Employees are recruited based on qualification requirements of each position and the salaries for each level are not differentiated due to gender. We have created a workplace which practices equal pay for equal work and gender equality.
- (3) The Company's internal management rules emphasizes and protects the interests of pregnant employees. The Company has signed long-term contracts with day care centers in the neighborhood areas of each factory to ease the babysitting concern. Employees are entitled to

parental leave before any of their children reach the age of three years old pursuant to the "Act of Gender Equality in Employment" and the "Regulations for Implementing Unpaid Parental Leave for Raising Children" for a period not exceeding two years. The Company would make arrangements for reinstatement after the parental leave.

- (4) The Company has established the Employee Welfare Committee and makes contributions to the welfare funds at a certain percentage of total operating revenue. Company trips or small-scale activities are regularly organized for employees to enjoy a good time together. There are also employee discounts for shopping, funeral payments and education subsidies for children.
- (5) Each factory has budget allocated for annual gatherings and gifts for the Dragon Boat Festival and Mid-Autumn Festival. Employees are entitled to floor models and shopping discounts. Health check-ups are arranged for employees regularly. Also, employees may apply for maternity leave, paternity leave and parental leave in accordance with the laws.

2. Employee education and training:

The Company enhances the overall competitiveness of its employees and the Company in light of the rapid development of the industry, and inspires potential and loyalty of its employees. Each year, the Company organizes internal or external courses based on competencies matching its business strategy and organizational developments as well as requirements from different levels. Through learning and growth, employees can enhance their work performance and achieve job targets. Education and training in 2020 are as follows:

Courses	Attendees	Total hours	Total cost (NT\$)
Professional Skill	112	196	1,046,602
Managerial Competence	30	224	
Training of New Recruits	87	174	
Promotion on Prevention of Insider Trading	357	298	
Promotion on Ethical Management Policy	357	298	
Promotion on Trade Secret	320	267	
E-Learning	26	78	
On-line Operation Training	112	224	
General Training	63	252	
Technical Development	230	230	
Total	1694	2241	

3. Retirement system:

- (1) The Company has drawn up employee pension plans as required by law for employee's retirement.
- (2) The Labor Pension Act took effect on July 1, 2005. Employees recruited prior to June 30, 2005 and on job as of July 1, 2005 can choose between the pension system under the Labor Standards Act or the one under the Labor Pension Act and retain prior seniority. The Company contributes monthly an amount equal to 2% of the employees' monthly salaries and wages to a retirement fund that is deposited with Bank of Taiwan pursuant to the Labor Standards Act.
- (3) Employees recruited after July 1, 2005 were all subject to the pension system under the Labor Pension Act. Company makes monthly contributions to employees' individual pension accounts with the Bureau of Labor Insurance at 6% of their monthly salaries. Employees making voluntary contributions would have their contributions deducted from their salaries by the Company based on their rates of voluntary contribution and deposited to their individual pension accounts.
- (4) Applications for retirement and payment standards are handled in accordance with Articles 53, 54 and 55 of the Labor Standards Act.
- (5) The Company shall pay the due amount of pension within 30 days after an employee's retirement.

(6) The implementation status is as follows:

Pension System	Old	New
Applicable Laws	Labor Standards Act	Labor Pension Act
Contribution method	2% of the employees' monthly salaries and wages to a retirement fund that is deposited with Bank of Taiwan	6% of the employees' monthly salaries and wages according to employees' insurance level to their individual pension accounts with the Bureau of Labor Insurance
Contributions	Cumulative amount of NT\$49,326 thousand	Contribution in 2020 amounted to NT\$13,592 thousand

4. Code of conduct or ethics:

(1) The Company has drawn up the "Codes of Discipline" for employees to follow so as to prevent losses of individual or the Company from improper conducts. Details are as follows:

Employees shall perform their duties diligently, comply with the Company's regulations, and adhere to reasonable guidance and management of supervisors at all levels without negligence, prevarication or disobedience. Supervisors at all levels shall give proper guidance to employees.

Internally, employees shall work diligently, care for public goods, reduce wear and tear, improve quality, and increase production. Externally, they shall keep trade or job secrets confidential.

Employees shall report their duties to their supervisors from the first level up and shall not bypass mid-level supervisors and directly report to higher-level supervisors unless it is an emergency or a special circumstance.

Employees shall not meet families and friends or leave their positions without permission during working hours.

Employees shall not bring their families or friends into the factories without permission.

Employees shall not use their authority for their interests or for others. Without the consent of the Company, employees are not permitted to engage in the same type of business outside the Company which will affect their fulfillment of labor contracts with the Company.

Employees shall not receive treats, gifts, rebates, or other illegal

benefits in their duties or the violation of their duties.

Employees may not bring guns, ammunition, knives, dangerous or forbidden items, cameras or items not related to job into any work place in the Company.

Employees shall not take public goods out of the factory without permission. Release documents shall be obtained from the HR office to bring private items out of the factory and employees shall voluntarily accept inspections from the security or personnel of the Administration Division.

Employees shall perform their job duties and be held accountable based on authority hierarchy. They shall handle works in a timely manner. Supervisors of all units shall monitor employees' work process and give guidance when necessary.

Employees are not allowed to use public goods or company funds unless required by work or with consents from the Company.

Employees are prohibited from using the name of the Company and the factory unless required for conducting the Company's business.

Employees with personal or family interests in matters of the Company shall recuse themselves and shall not participate in the deliberation or handling of such matters.

Employees are not allowed to work part-time or operate similar business without the permission of the Company during their employment.

Employees are required to uphold strict confidentiality in respect of the Company's undisclosed technical and administrative information, whether resolved or unresolved, and the status of customers' dealings with the Company during or after their employment with the Company.

Employees shall not, in any way or form, supply to any person in respect of matters that he/she is exposed to at work, whether during or after their employment with the Company. Ownership of work or studies done during employees' term of office belong to the Company.

Employees shall be humble and polite to customers and visitors. Arrogant and improper behaviors are not allowed.

- (2) For employees' understanding and compliance with moral values, rights, obligations and behavior, the Company has also established

rules concerning authority hierarchy, department functions, employee attendance, employee rewards and punishments, travel management and bonus distribution. Relevant issues can be handled in a timely manner.

5. Safety measures at work place and for employees' personal safety:

In order to ensure a safe and comfortable working environment for every employee, protective measures adopted by the Company include safety and health education necessary for employees to perform their work, trainings for disaster prevention and health check-ups. Details are as follows:

- (1) To develop and promote relevant policies. The Company's Employee Work Rules specify that every employee shall comply with the safety and health work codes. There is a complaint system for employees to file complaints. Signs are posted in the office to promote work safety.
- (2) To increase employees' awareness on work safety, the Company organizes several education and training sessions, which include environmental, safety and health education for new recruits to understand and be familiarized with environmental management at workplace and rules to be complied with. Regular education sessions are arranged for factory workers to familiarize themselves with the potential hazards and precautions concerning hazardous substances in the workplace, safety operation of equipment and emergency response plan.
- (3) In order to prevent work injuries, employees are required to wear protective equipment such as helmets, gloves, protective masks, earplugs, etc.
- (4) The Company establishes and maintains various projects to carry out regular inspections on the work environment, e.g., noise testing, safety inspection of fire equipment, quarterly maintenance of drinking water facilities by contractors, regular disinfection of office premises and cleaning of floor areas by professional vendors.
- (5) Free and regular health check-ups.
- (6) Employees are covered by group accident insurance and life insurance. The Company also engages affiliates to offer special deals on group personal injury insurance where employees can participate at their

own expense.

- (7) To prevent occupational disasters and reduce work hazard and risks at work, the Company carried out ISO 45001 counseling activities in the second half of 2020. In order to successfully disseminate labor safety and health information, each unit shall send one or two representatives to attend the training. Training personnel would identify and make recommendations for improvements on potential hazards and risks in the factory. Pursuant to laws and regulations, the occupational safety personnel would carry out on-site patrols daily, and inspections on work environment and filings are conducted every six months. The Occupational Safety Committee convenes meetings on a quarterly basis and the number of labor representatives in the committee exceeds one-third of the total number of representatives (i.e., more than the quota required by law). Meetings are held to discuss safety and health plans, including education and training, improvement measures for working environment, prevention and management of hazards, audits and health promotion plans. Professionals would be invited to attend the Occupational Safety Committee meeting to discuss improvement schemes for dangers identified at workplace. Improvements are carried out based on conclusions drawn at the meeting.

In 2020, we installed and improved the emergency stops and safety cable pull switches of all machines to reduce the level of injuries and protect the safety of employees (including all partners).

Numbers of representatives from management and employees at the Occupational Safety Committee are as follows:

Year	Dayuan Factory		Daxi Factory	
	108	109	108	109
Representative from employees	5	6	5	6
Representative from management	2	2	3	2
Total	7	8	8	8

Occupational injuries in 2019 and 2020 are summarized in the table below. The disabling frequency rate and disabling severity rate are derived from the occupational hazard reporting system of the Ministry of Labor. The statistics include road accidents on the way to and from work.

Factory	Dayuan Factory				Taoyuan Factory			
	108		109		108		109	
Year	Male	Female	Male	Female	Male	Female	Male	Female
Absence Rate (A.R)	0%	0%	0%	0.45%	Male	0%	2%	0%
Disabling Frequency Rate (FR)	0	0	0	0.97	2%	0	1.26	0
Disabling Severity Rate (SR)	0	0	0	58.33	1.26	0	25.28	0
Frequency-Severity Indicator (FSI)	0	0	0	0.24	25.28	0	0.17	0

Note: Absence Rate = total days absent (occupational injury leave) during the reporting period/total working days during the reporting periodx100%
Disabling Frequency Rate = (Total number of people with disabling injuryx106)/Total number of working hours
Disabling Severity Rate = (Total number of days of loss due to disabling injuryx106)/Total number of working hours
Frequency-Severity Indicator (FSI) = (FRxSR/1000)^(1/2)

6. Other significant agreements: None.

(II) Loss incurred due to industrial dispute in 2020 and as of the date of this annual report: None.

VI. Material Contracts: None.

Chapter VI. Financial Highlights

I. Condensed Balance Sheet and Statement of Comprehensive Income from 2016 to 2020 with Names and Opinions of Independent Auditors

(I) Condensed Balance Sheet and Statement of Comprehensive Income - International Financial Reporting Standards (IFRS):

Condensed Balance Sheet (Consolidated) - IFRS

(In Thousands of New Taiwan Dollars)

Item	Year	Highlights from 2016 to 2020 (Note 1)					As of March 31, 2021 (Note 2)
		2016	2017	2018	2019	2020	
Current assets		2,191,706	3,687,904	2,136,448	2,423,394	2,891,898	-
Property, plant and equipment		486,864	509,668	564,260	318,639	321,571	-
Intangible assets		3,137	2,515	1,231	2,752	2,368	-
Other Assets		9,650,777	9,575,325	9,544,947	10,173,954	10,363,291	-
Total Assets		12,332,484	13,775,412	12,246,886	12,918,739	13,579,128	-
Current liabilities	Before distribution	3,609,878	3,673,518	2,953,189	2,991,784	3,532,018	-
	After distribution	3,746,755	4,791,505	3,207,481	3,291,825	(Note 2)	-
Non-current liabilities		858,705	852,914	878,198	1,187,807	959,742	-
Total Liabilities	Before distribution	4,468,583	4,526,432	3,831,387	4,179,591	4,491,760	-
	After distribution	4,605,460	5,644,419	4,085,679	4,479,632	(Note 2)	-
Equity attributable to owners of the parent		7,807,318	9,202,166	8,372,292	8,704,392	9,087,364	-
Share capital		3,000,413	3,000,413	3,000,413	3,000,413	3,000,413	-
Capital surplus		1,889	2,646	5,957	6,916	7,911	-
Retained earnings	Before distribution	1,925,167	3,033,065	2,205,946	2,339,776	2,418,420	-
	After distribution	1,788,290	1,915,078	1,951,654	2,039,735	(Note 2)	-
Other equity		2,893,023	3,179,216	3,173,150	3,370,461	3,673,794	-
Treasury share		(13,174)	(13,174)	(13,174)	(13,174)	(13,174)	-
Non-controlling Interests		56,583	46,814	43,207	34,756	4	-
Total Equity	Before distribution	7,863,901	9,248,980	8,415,499	8,739,148	9,087,368	-
	After distribution	7,727,024	8,130,993	8,161,207	8,439,107	(Note 2)	-

Note 1: The above annual financial information has been audited by the CPAs.

* If the Company has prepared the parent company only financial statements, it shall compile the condensed parent company only balance sheets and statements of comprehensive income for the past five fiscal years.

* Where the Company has adopted IFRS for less than five years, it shall also compile Table (2) below with the Generally Accepted Accounting Principles of R.O.C.

Note 2: CPA-reviewed financial information for the first quarter of 2021 is not yet available.

Condensed Statement of Comprehensive Income (Consolidated) - IFRS

(In Thousands of New Taiwan Dollars)

Item	Year	Highlights from 2016 to 2020 (Note 1)					As of March 31, 2021 (Note 2)
		2016	2017	2018	2019	2020	
Operating revenue		1,339,575	1,487,951	1,605,981	2,083,581	2,149,213	-
Gross profit		305,373	285,941	410,013	594,812	623,122	-
Profit (loss) from operations		(38,550)	(125,936)	(23,768)	113,409	163,447	-
Non-operating income and expenses		184,967	1,507,441	303,224	264,383	232,509	-
Income before income tax		146,417	1,381,505	279,456	377,792	395,956	-
Net income (loss) of continuing operations		150,610	1,232,439	278,939	378,820	364,492	-
Loss from discontinued operations		-	-	-	-	-	-
Net income (loss)		150,610	1,232,439	278,939	378,820	364,492	-
Total other comprehensive income, net of tax		557,393	288,760	8,309	198,002	325,054	-
Total comprehensive income		708,003	1,521,199	287,248	576,822	689,546	-
Net income (loss) attributable to owners of the parent		157,218	1,242,208	282,546	387,431	365,025	-
Net income (loss) attributable to non-controlling interests		(6,608)	(9,769)	(3,607)	(8,611)	(533)	-
Total comprehensive income attributable to owners of the parent		714,611	1,530,968	290,855	585,433	690,082	-
Total comprehensive income attributable to non-controlling interests		(6,608)	(9,769)	(3,607)	(8,611)	(536)	-
Earnings per share		0.52	4.15	0.94	1.29	1.22	-

Note 1: The above annual financial information has been audited by the CPAs.

* If the Company has prepared the parent company only financial statements, it shall compile the condensed parent company only balance sheets and statements of comprehensive income for the past five fiscal years.

* Where the Company has adopted IFRS for less than five years, it shall also compile Table (2) below with the Generally Accepted Accounting Principles of R.O.C.

Note 2: CPA-reviewed financial information for the first quarter of 2021 is not yet available.

Condensed Balance Sheet (Parent Company Only) - IFRS

(In Thousands of New Taiwan Dollars)

Item	Year	Highlights from 2016 to 2020 (Note 1)					As of March 31, 2021 (Note 3)
		2016	2017	2018	2019	2020	
Current assets		2,051,515	2,198,868	2,212,399	2,395,518	2,801,686	-
Property, plant and equipment		469,612	415,554	346,971	295,788	271,270	-
Intangible assets		3,137	2,515	1,231	2,752	2,218	-
Other Assets		8,641,298	9,982,980	8,889,277	9,182,173	9,401,918	-
Total Assets		11,165,562	12,599,917	11,449,878	11,876,231	12,477,092	-
Current liabilities	Before distribution	2,803,834	2,847,746	2,525,695	2,327,609	2,768,383	-
	After distribution	2,940,711	3,965,733	2,779,987	2,627,650	(Note 2)	-
Non-current liabilities		554,410	550,005	551,891	844,230	621,345	-
Total Liabilities	Before distribution	3,358,244	3,397,751	3,077,586	3,171,839	3,389,728	-
	After distribution	3,495,121	4,515,738	3,331,878	3,471,880	(Note 2)	-
Share capital		3,000,413	3,000,413	3,000,413	3,000,413	3,000,413	-
Capital surplus		1,889	2,646	5,957	6,916	7,911	-
Retained earnings	Before distribution	1,925,167	3,033,065	2,205,946	2,339,776	2,418,420	-
	After distribution	1,788,290	1,915,078	1,951,654	2,039,735	(Note 2)	-
Other equity		2,893,023	3,179,216	3,173,150	3,370,461	3,673,794	-
Treasury share		(13,174)	(13,174)	(13,174)	(13,174)	(13,174)	-
Total Equity	Before distribution	7,807,318	9,202,166	8,372,292	8,704,392	9,087,364	-
	After distribution	7,670,411	8,084,179	8,118,000	8,404,351	(Note 2)	-

Note 1: The above annual financial information has been audited by the CPAs.

Note 2: The 2020 earnings distribution had been resolved by the shareholders' meeting at NT\$1 per share in the form of cash.

Note 3: CPA-reviewed financial information for the first quarter of 2021 is not yet available.

* If the Company has prepared the parent company only financial statements, it shall compile the condensed parent company only balance sheets and statements of comprehensive income for the past five fiscal years.

* Where the Company has adopted IFRS for less than five years, it shall also compile Table (2) below with the Generally Accepted Accounting Principles of R.O.C.

Condensed Statement of Comprehensive Income (Parent Company Only) - IFRS
(In Thousands of New Taiwan Dollars)

Item \ Year	Highlights from 2016 to 2020 (Note 1)					As of March 31, 2021 (Note 2)
	2016	2017	2018	2019	2020	
Operating revenue	1,207,035	1,351,910	1,462,323	1,891,666	1,946,096	-
Gross profit	271,379	244,688	324,285	466,750	490,775	-
Profit (loss) from operations	(50,389)	(140,642)	(81,953)	17,579	69,776	-
Non-operating income and expenses	203,125	1,371,986	354,650	346,809	306,325	-
Income before income tax	152,736	1,231,344	272,697	364,388	376,101	-
Net income of continuing operations	157,218	1,242,208	282,546	387,431	365,025	-
Loss from discontinued operations	-	-	-	-	-	-
Net income (loss)	157,218	1,242,208	282,546	387,431	365,025	-
Total other comprehensive income, net of tax	557,393	288,760	8,309	198,002	325,057	-
Total comprehensive income	714,611	1,530,968	290,855	585,433	690,082	-
Earnings per share	0.52	4.15	0.94	1.29	1.22	-

Note 1: The above annual financial information has been audited by the CPAs.

Note 2: CPA-reviewed financial information for the first quarter of 2021 is not yet available.

* If the Company has prepared the parent company only financial statements, it shall compile the condensed parent company only balance sheets and statements of comprehensive income for the past five fiscal years.

* Where the Company has adopted IFRS for less than five years, it shall also compile Table (2) below with the Generally Accepted Accounting Principles of R.O.C.

(III) Names and opinions of independent auditors from 2016 to 2020:

2020	Deloitte & Touche CPA Li-Huang Li, CPA Jui-Chuan Chih	An Unqualified Opinion
2019	Deloitte & Touche CPA Li-Huang Li, CPA Jui-Chuan Chih	An Unqualified Opinion
2018	Deloitte & Touche CPA Li-Huang Li, CPA Jui-Chuan Chih	An Unqualified Opinion
2017	Deloitte & Touche CPA Hui-Ming Chen, CPA Jui-Chuan Chih	An Unqualified Opinion
2016	Deloitte & Touche CPA Hui-Ming Chen, CPA Ming-Chung Hsieh	An Unqualified Opinion

II. Financial Analysis from 2016 to 2020

(I) Financial Analysis (Consolidated) - IFRS

Item		Year	Financial Analysis from 2016 to 2020					As of March 31, 2021 (Note 1)
		2016	2017	2018	2019	2020		
Financial Structure %	Debt Ratio	36.23	32.83	31.28	32.35	33.08	-	
	Long-term Fund to Property, Plant and Equipment Ratio	1791.59	1982.05	1647.06	3115.42	3124.38	-	
Liquidity Analysis %	Current Ratio	60.71	100.39	72.34	81.00	81.88	-	
	Quick Ratio	48.48	87.61	55.86	62.69	67.37	-	
	Times Interest Earned	5.83	46.22	13.18	14.45	15.14	-	
Operating Performance	Average Collection Turnover (Times)	8.08	7.37	7.93	10.56	7.95	-	
	Days Sales Outstanding	45.16	49.51	46.02	34.56	45.91	-	
	Inventory Turnover (Times)	2.07	2.08	2.03	2.41	2.32	-	
	Average Payment Turnover (Times)	7.93	7.12	6.73	8.28	8.45	-	
	Average Inventory Turnover Days	176.33	175.48	179.80	151.45	157.33	-	
	Property, Plant and Equipment Turnover (Times)	2.71	2.99	2.99	4.72	6.71	-	
	Total Assets Turnover (Times)	0.11	0.11	0.12	0.17	0.16	-	
Profitability	Return on Total Assets (%)	1.48	9.63	2.28	3.19	2.92	-	
	Return on Equity (%)	1.99	14.40	3.16	4.42	4.09	-	
	Net Margin (%)	11.24	82.83	17.37	18.18	16.96	-	
	Earnings per Share (NT\$)	0.52	4.15	0.94	1.29	1.22	-	
Cash Flow	Cash Flow Ratio (%)	2.10	-	5.57	4.84	4.16	-	
	Cash Flow Adequacy Ratio (%)	-	-	3.43	5.38	9.38	-	
	Cash Flow Reinvestment Ratio (%)	-	-	-	-	-	-	
Leverage	Operating Leverage	-	-	-	7.67	5.28	-	
	Financial Leverage	-	-	-	1.33	1.21	-	

Explanations for variances in financial ratios from 2019 to 2020. (Not required if the variation is less than 20%)

1. The decrease of average collection turnover by 24.72% was mainly due to an increase in payables.
2. The increase of days sales outstanding by 32.84% was mainly due to a decrease in average collection turnover.
3. The increase of property, plant and equipment turnover by 42.16% was mainly due to a decrease in net property, plant and equipment.
4. The increase of cash flow adequacy ratio by 74.35% was mainly due to an increase in net cash provided by operating activities.
5. The decrease of operating leverage by 31.16% was mainly due to an increase in operating income.

Note 1: CPA-reviewed financial information for the first quarter of 2021 is not yet available.

* If the Company has prepared the parent company only financial statements, it shall also compile the financial ratio analysis of the parent company only financial statements.

* Where the Company has adopted IFRS for less than five years, it shall also compile Table (2) below with the Generally Accepted Accounting Principles of R.O.C.

Note 1: Where the denominator equals zero or a negative number, the calculation of percentage is not required.

Financial analysis is based on the following formulas:

1. Financial Structure

(1) Debt Ratio = Total Liabilities / Total Assets

(2) Long-term Fund to Property, Plant and Equipment Ratio = (Equity + Non-current Liabilities) / Net Property, Plant and Equipment

2. Liquidity Analysis

(1) Current Ratio = Current Assets / Current Liabilities

(2) Quick Ratio = (Current Assets - Inventories - Prepaid Expenses) / Current Liabilities

(3) Times Interest Earned = Income before Interest and Taxes / Interest Expenses

3. Operating Performance

(1) Average Collection (includes accounts receivable and notes receivable from operations) Turnover = Net Revenue / Average Trade Receivables (includes accounts receivable and notes receivable from operations)

(2) Days Sales Outstanding = 365 / Average Collection Turnover

(3) Inventory Turnover = Cost of Goods Sold / Average Inventory

(4) Average Payment (includes accounts payable and notes payable from operations) Turnover = Purchases / Average Trade Payables (includes accounts payable and notes payable from operations)

(5) Average Inventory Turnover Days = 365 / Inventory Turnover

(6) Property, Plant and Equipment Turnover = Net Revenue / Average Net Property, Plant and Equipment

(7) Total Assets Turnover = Net Revenue / Average Total Assets

4. Profitability Analysis

(1) Return on Total Assets = (Net Income (Loss) + Interest Expenses * (1 - Effective Tax Rate)) / Average Total Assets

(2) Return on Equity = Net Income (Loss) / Average Equity

(3) Net Margin = Net Income (Loss) / Net Revenue

(4) Earnings Per Share = (Net Income (Loss) Attributable to Owners of the Parent - Preferred Stock Dividend) / Weighted Average Number of Shares Outstanding

5. Cash Flow

(1) Cash Flow Ratio = Net Cash Provided by Operating Activities / Current Liabilities

(2) Cash Flow Adequacy Ratio = Five-year Sum of Cash from Operations / Five-year Sum of Capital Expenditures, Inventory Additions, and Cash Dividend

(3) Cash Flow Reinvestment Ratio = (Net Cash Provided by Operating Activities - Cash Dividends) / (Gross Property, Plant and Equipment + Long-term Investments + Other Non-current Assets + Working Capital)

6. Leverage

(1) Operating Leverage = (Net Revenue - Variable Cost) / Operating Income

(2) Financial Leverage = Operating Income / (Operating Income - Interest Expenses)

(II) Financial Analysis (Parent Company Only) - IFRS

Item		Year	Financial Analysis from 2016 to 2020					As of March 31, 2021 (Note 1)
			2016	2017	2018	2019	2020	
Financial Structure %	Debt Ratio		30.08	26.97	26.88	26.71	27.17	-
	Long-term Fund to Property, Plant and Equipment Ratio		1780.56	2346.79	2572.03	3228.20	3578.98	-
Liquidity Analysis %	Current Ratio		73.17	77.21	87.60	102.92	101.20	-
	Quick Ratio		57.52	60.98	68.69	79.79	83.04	-
	Times Interest Earned		7.72	54.09	15.11	18.53	18.78	-
Operating Performance	Average Collection Turnover (Times)		7.62	6.77	7.22	9.52	7.17	-
	Days Sales Outstanding		47.91	53.90	50.55	38.36	50.90	-
	Inventory Turnover (Times)		2.07	2.08	2.03	2.43	2.35	-
	Average Payment Turnover (Times)		8.06	7.59	7.69	8.98	8.46	-
	Average Inventory Turnover Days		176.33	175.48	179.80	150.21	155.32	-
	Property, Plant and Equipment Turnover (Times)		2.50	3.05	3.84	5.89	6.86	-
	Total Assets Turnover (Times)		0.11	0.11	0.12	0.16	0.16	-
Profitability	Return on Total Assets (%)		1.65	10.62	2.48	3.46	3.14	-
	Return on Equity (%)		2.10	14.61	3.22	4.54	4.10	-
	Net Margin (%)		13.03	91.89	19.32	20.48	18.76	-
	Earnings per Share (NT\$)		0.52	4.15	0.94	1.29	1.29	-
Cash Flow	Cash Flow Ratio (%)		2.23	-	2.20	3.28	2.65	-
	Cash Flow Adequacy Ratio (%)		3.73	-	-	1.76	5.60	-
	Cash Flow Reinvestment Ratio (%)		-	-	-	-	-	-
Leverage	Operating Leverage		-	-	-	42.19	3.44	-
	Financial Leverage		-	-	-	-	-	-

Explanations for variances in financial ratios from 2019 to 2020. (Not required if the variation is less than 20%)

1. The decrease of average collection turnover by 24.68% was mainly due to an increase in payables.
2. The increase of days sales outstanding by 32.69% was mainly due to a decrease in average collection turnover.
3. The increase of cash flow adequacy ratio by 218.18% was mainly due to an increase in net cash provided by operating activities.
4. The decrease of operating leverage by 91.85% was mainly due to an increase in operating income.
5. The increase of financial leverage was mainly due to an increase in operating income.

Note 1: CPA-reviewed financial information for the first quarter of 2021 is not yet available.

Financial analysis is based on the following formulas:

1. Financial Structure

- (1) Debt Ratio = Total Liabilities / Total Assets
- (2) Long-term Fund to Property, Plant and Equipment Ratio = (Equity + Non-current Liabilities) / Net Property, Plant and Equipment

2. Liquidity Analysis

- (1) Current Ratio = Current Assets / Current Liabilities
- (2) Quick Ratio = (Current Assets - Inventories - Prepaid Expenses) / Current Liabilities
- (3) Times Interest Earned = Income before Interest and Taxes / Interest Expenses

3. Operating Performance

- (1) Average Collection (includes accounts receivable and notes receivable from operations) Turnover = Net Revenue / Average Trade Receivables (includes accounts receivable and notes receivable from operations)
- (2) Days Sales Outstanding = 365 / Average Collection Turnover
- (3) Inventory Turnover = Cost of Goods Sold / Average Inventory
- (4) Average Payment (includes accounts payable and notes payable from operations) Turnover = Purchases / Average Trade Payables (includes accounts payable and notes payable from operations)
- (5) Average Inventory Turnover Days = 365 / Inventory Turnover
- (6) Property, Plant and Equipment Turnover = Net Revenue / Average Net Property, Plant and Equipment
- (7) Total Assets Turnover = Net Revenue / Average Total Assets

4. Profitability Analysis

- (1) Return on Total Assets = (Net Income (Loss) + Interest Expenses * (1 - Effective Tax Rate)) / Average Total Assets
- (2) Return on Equity = Net Income (Loss) / Average Equity
- (3) Net Margin = Net Income (Loss) / Net Revenue
- (4) Earnings Per Share = (Net Income (Loss) Attributable to Owners of the Parent - Preferred Stock Dividend) / Weighted Average Number of Shares Outstanding

5. Cash Flow

- (1) Cash Flow Ratio = Net Cash Provided by Operating Activities / Current Liabilities
- (2) Cash Flow Adequacy Ratio = Five-year Sum of Cash from Operations / Five-year Sum of Capital Expenditures, Inventory Additions, and Cash Dividend
- (3) Cash Flow Reinvestment Ratio = (Net Cash Provided by Operating Activities - Cash Dividends) / (Gross Property, Plant and Equipment + Long-term Investments + Other Non-current Assets + Working Capital)

6. Leverage

- (1) Operating Leverage = (Net Revenue - Variable Cost) / Operating Income
- (2) Financial Leverage = Operating Income / (Operating Income - Interest Expenses)

III. Audit Committee's Audit Report Concerning the Company's Financial Statements

Shinkong Textile Co., Ltd.

Audit Committee's Review Report

The Board of Directors has submitted the Company's Business Report, Financial Statements, Earnings Distribution proposal, and other statements for 2020. The Financial Statements and Consolidated Financial Statements have been duly audited by the CPA Li-Huang Li and CPA Jui-Chuan Chih from Deloitte, and Audit Reports have been issued. The above-mentioned statements have been reviewed by us, the Audit Committee of the Company. We have not found any inconsistencies with applicable laws in our review. Therefore, we, the Audit Committee, hereby issue this report in compliance with Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act. Please review.

Shinkong Textile Co., Ltd.

Convener of the Audit Committee: David Ching

Mar. 30, 2021

IV. Latest Financial Statements

Independent Auditors' Report

To Shinkong Textile Co., Ltd.

Audit opinion

We have audited the consolidated balance sheets of Shinkong Textile Co., Ltd. and its subsidiaries (hereinafter referred to as the "Group") as of December 31, 2020 and 2019; and the related consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to consolidated financial statements (including a summary on significant accounting policies).

In our opinion, the aforementioned consolidated financial statements present fairly, in all material respects, the consolidated financial status of the Group as of December 31, 2020 and 2019, and its consolidated financial performance and cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers as well as the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission.

Basis for Opinion

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

Key Audit Matters

Key audit matters are ones that were of most significance in our audit of the consolidated financial statements of the Group for the year ended December 31, 2020 based on our professional judgment. These matters have been covered during the audit of the overall consolidated financial statements and in forming the audit opinion. We will not express a separate opinion on these matters.

Key audit matters of the consolidated financial statements for the year ended December 31, 2020 are as follows:

Authenticity of sales revenue from specific customers

The Group's principal source of income is the sale of various types of fabrics and finished clothing, apparel agency and property leasing. Significant risk is presumed in revenue recognition in view of significance and auditing standards. In our opinion, the authenticity on revenue from customers with specific trading terms has significant impact on the financial

statements. Thus, we identified the authenticity of sales revenue from specific customers as a key audit matter. For the accounting policies related to revenue recognition, please refer to Note IV(XIII) of the notes to consolidated financial statements.

Our corresponding audit procedures were as follows:

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

Other Matters

Shinkong Textile Co., Ltd. has also prepared parent company only financial statements for the years ended December 31, 2020 and 2019, which we had audited and issued an unqualified opinion.

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern based on the audit evidence obtained. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine the key audit matters of the Group's consolidated financial statements for the year ended December 31, 2020. We describe these matters in our independent auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter shall not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Deloitte & Touche
CPA Li-Huang Li

CPA Jui-Chuan Chih

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

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

March 30, 2021

Shinkong Textile Co., Ltd. and Subsidiaries
Consolidated Balance Sheets
December 31, 2020 and 2019
(In Thousands of New Taiwan Dollars)

Code	Assets	December 31, 2020		December 31, 2019	
		Amount	%	Amount	%
	Current assets				
1100	Cash and cash equivalents (Notes 6, 32 and 33)	\$ 594,798	4	\$ 535,465	4
1110	Financial assets at fair value through profit or loss (Notes 7, 32, and 33)	187,529	2	105,558	1
1120	Financial assets at fair value through other comprehensive income - current (Notes 8 and 32)	1,245,718	9	1,013,095	8
1150	Notes receivable (Notes 10 and 33)	7,195	-	6,882	-
1170	Accounts receivable (Note 10)	284,094	2	174,679	1
1180	Accounts receivable - related parties, net (Notes 10 and 33)	37,203	-	27,855	-
1200	Other receivables (Note 10)	9,660	-	9,935	-
1220	Current tax assets (Note 26)	848	-	848	-
130X	Inventories (Note 11)	452,093	3	487,889	4
1410	Prepayments (Notes 18 and 33)	60,429	1	59,813	1
1470	Other current assets (Note 18)	12,331	-	1,375	-
11XX	Total current assets	<u>2,891,898</u>	<u>21</u>	<u>2,423,394</u>	<u>19</u>
	Non-current assets				
1517	Financial assets at fair value through other comprehensive income - non-current (Notes 8, 32, 33 and 34)	4,259,032	31	4,105,078	32
1535	Financial assets at amortized cost - non-current (Notes 9, 32, 33 and 34)	1,800	-	4,050	-
1550	Investments accounted for using the equity method (Note 13)	695,686	5	663,641	5
1600	Property, plant and equipment (Notes 14 and 29)	321,571	3	318,639	2
1755	Right-of-use assets (Note 15)	106,078	1	151,114	1
1760	Investment properties (Notes 16 and 34)	5,093,701	38	5,127,590	40
1780	Other intangible assets (Note 17)	2,368	-	2,752	-
1840	Deferred tax assets (Note 26)	42,799	-	11,416	-
1990	Other non-current assets (Note 18 and 33)	164,195	1	111,065	1
15XX	Total non-current assets	<u>10,687,230</u>	<u>79</u>	<u>10,495,345</u>	<u>81</u>
1XXX	Total Assets	<u>\$ 13,579,128</u>	<u>100</u>	<u>\$ 12,918,739</u>	<u>100</u>
	Liabilities and equity				
	Current liabilities				
2100	Short-term borrowings (Notes 19 and 34)	\$ 2,003,500	15	\$ 2,006,500	16
2110	Short-term bills payable (Note 19)	948,687	7	639,270	5
2130	Contract liabilities - current (Notes 24 and 33)	49,987	-	38,039	-
2150	Notes payable (Note 20)	99,440	1	99,914	1
2160	Notes payable - related parties (Notes 20 and 33)	12,229	-	2,803	-
2170	Accounts payable (Note 20)	58,767	1	59,354	-
2180	Accounts payable - related parties (Notes 20 and 33)	529	-	1,074	-
2219	Other payables (Note 20)	93,039	1	85,682	1
2220	Other payables - related parties (Notes 21 and 33)	1,231	-	8,382	-
2230	Current tax liabilities (Note 26)	28,980	-	502	-
2280	Lease liabilities - current (Notes 15 and 33)	42,911	-	47,983	-
2320	Current portion of long-term borrowings (Note 19)	190,000	1	-	-
2399	Other current liabilities (Note 21)	2,718	-	2,281	-
21XX	Total current liabilities	<u>3,532,018</u>	<u>26</u>	<u>2,991,784</u>	<u>23</u>
	Non-current liabilities				
2540	Long-term borrowings (Note 19)	-	-	190,000	1
2570	Deferred tax liabilities (Note 26)	765,872	6	763,810	6
2580	Lease liabilities - non-current (Notes 15 and 33)	64,766	-	104,088	1
2645	Guarantee deposits received (Notes 21 and 33)	129,104	1	129,909	1
25XX	Total non-current liabilities	<u>959,742</u>	<u>7</u>	<u>1,187,807</u>	<u>9</u>
2XXX	Total liabilities	<u>4,491,760</u>	<u>33</u>	<u>4,179,591</u>	<u>32</u>
	Equity attributable to owners of the Company (Note XXIII)				
	Share capital				
3110	Common stock	<u>3,000,413</u>	<u>22</u>	<u>3,000,413</u>	<u>24</u>
3200	Capital surplus	<u>7,911</u>	<u>-</u>	<u>6,916</u>	<u>-</u>
	Retained earnings				
3310	Legal reserve	459,911	3	421,099	3
3320	Special reserve	1,006,548	8	1,006,548	8
3350	Unappropriated earnings	<u>951,961</u>	<u>7</u>	<u>912,129</u>	<u>7</u>
3300	Total retained earnings	<u>2,418,420</u>	<u>18</u>	<u>2,339,776</u>	<u>18</u>
	Other equity				
3410	Exchange differences on translating the financial statements of foreign operations	(5,019)	-	(1,416)	-
3420	Unrealized gains (losses) on financial assets at fair value through other comprehensive income	<u>3,678,813</u>	<u>27</u>	<u>3,371,877</u>	<u>26</u>
3400	Total other equity	<u>3,673,794</u>	<u>27</u>	<u>3,370,461</u>	<u>26</u>
3500	Treasury share	(13,174)	-	(13,174)	-
31XX	Total equity attributable to owners of the Company	<u>9,087,364</u>	<u>67</u>	<u>8,704,392</u>	<u>68</u>
36XX	Non-controlling Interests	<u>4</u>	<u>-</u>	<u>34,756</u>	<u>-</u>
3XXX	Total equity	<u>9,087,368</u>	<u>67</u>	<u>8,739,148</u>	<u>68</u>
	Total Liabilities and Equity	<u>\$ 13,579,128</u>	<u>100</u>	<u>\$ 12,918,739</u>	<u>100</u>

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

Shinkong Textile Co., Ltd. and Subsidiaries
Consolidated Statements of Comprehensive Income
For the Years Ended December 31, 2020 and 2019
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

Code		2020		2019	
		Amount	%	Amount	%
	Operating revenue (Notes 34 and 33)				
4110	Sales revenue	\$ 1,792,301	83	\$ 1,737,137	83
4300	Rental revenue	355,916	17	344,123	17
4800	Other operating revenue	996	-	2,321	-
4000	Total operating revenue	<u>2,149,213</u>	<u>100</u>	<u>2,083,581</u>	<u>100</u>
	Operating costs (Notes 11, 25 and 33)				
5110	Cost of goods sold	(1,411,442)	(66)	(1,379,987)	(67)
5300	Rental costs	(114,649)	(5)	(108,782)	(5)
5000	Total operating costs	(<u>1,526,091</u>)	(<u>71</u>)	(<u>1,488,769</u>)	(<u>72</u>)
5900	Gross Profit	<u>623,122</u>	<u>29</u>	<u>594,812</u>	<u>28</u>
	Operating expenses (Notes 25 and 33)				
6100	Selling and marketing	(337,249)	(16)	(361,689)	(17)
6200	General and administrative	(97,970)	(5)	(92,075)	(5)
6300	Research and development	(23,704)	(1)	(27,837)	(1)
6450	Expected credit gain	(<u>650</u>)	-	<u>157</u>	-
6000	Total operating expenses	(<u>459,573</u>)	(<u>22</u>)	(<u>481,444</u>)	(<u>23</u>)
6500	Other operating income and expenses	(<u>102</u>)	-	<u>41</u>	-
6900	Profit from operations	<u>163,447</u>	<u>7</u>	<u>113,409</u>	<u>5</u>
	Non-operating income and expenses (Notes 25 and 33)				
7100	Interest income	1,977	-	4,707	-
7190	Other income	245,295	12	296,095	14
7020	Other gains and losses	(36,442)	(2)	(11,847)	-
7050	Finance costs	(27,997)	(1)	(28,089)	(1)
7060	Share of profit or loss of associates and joint ventures accounted for using the equity method	<u>49,676.00</u>	<u>2</u>	<u>3,517</u>	-
7000	Total non-operating income and expenses	<u>232,509</u>	<u>11</u>	<u>264,383</u>	<u>13</u>

(Continued on the next page)

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Code		2020		2019	
		Amount	%	Amount	%
7900	Income before income tax	395,956	18	377,792	18
7950	Income tax (expense)/benefit (Note 26)	(31,464)	(1)	1,028	-
8200	Net income	364,492	17	378,820	18
	Other comprehensive income				
8310	Items that will not be reclassified subsequently to profit or loss:				
8311	Remeasurement of defined benefit plans	3,110	-	(584)	-
8316	Unrealized gains (losses) on investments in equity instruments at fair value through other comprehensive income	319,869	15	197,131	10
8320	Share of other comprehensive income of associates and joint ventures accounted for using the equity method	5,681	-	2,713	-
8360	Items that may be reclassified subsequently to profit or loss:				
8361	Exchange differences on translating the financial statements of foreign operations	(27)	-	(233)	-
8370	Share of other comprehensive income of associates and joint ventures accounted for using the equity method	(3,584)	-	(1,072)	-

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Code		2020		2019	
		Amount	%	Amount	%
8399	Income tax relating to items that may be reclassified subsequently to profit or loss	<u>5</u>	<u>-</u>	<u>47</u>	<u>-</u>
8300	Total other comprehensive income, net of tax	<u>325,054</u>	<u>15</u>	<u>198,002</u>	<u>10</u>
8500	Total comprehensive income	<u>\$ 689,546</u>	<u>32</u>	<u>\$ 576,822</u>	<u>28</u>
	Net income attributable to:				
8610	Owners of the Company	\$ 365,025	17	\$ 387,431	19
8620	Non-controlling Interests	(<u>533</u>)	<u>-</u>	(<u>8,611</u>)	(<u>1</u>)
8600		<u>\$ 364,492</u>	<u>17</u>	<u>\$ 378,820</u>	<u>18</u>
	Total comprehensive income attributable to:				
8710	Owners of the Company	\$ 690,082	32	\$ 585,433	28
8720	Non-controlling Interests	(<u>536</u>)	<u>-</u>	(<u>8,611</u>)	<u>-</u>
8700		<u>\$ 689,546</u>	<u>32</u>	<u>\$ 576,822</u>	<u>28</u>
	Earnings per share (Note 27)				
9710	Basic	<u>\$ 1.22</u>		<u>\$ 1.29</u>	
9810	Diluted	<u>\$ 1.22</u>		<u>\$ 1.29</u>	

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

Shinkong Textile Co., Ltd. and Subsidiaries
Consolidated Statements of Changes in Equity
For the Years Ended December 31, 2020 and 2019
(In Thousands of New Taiwan Dollars)

Code		Equity Attributable to Owners of the Company											Non-controlling Interests	Total Equity
		Share capital		Retained earnings				Other equity			Total			
		Number of Shares (in Thousands)	Amount	Capital surplus	Legal reserve	Special reserve	Unappropriated earnings	Exchange differences on translating the financial statements of foreign operations	Unrealized gains (losses) on financial assets at fair value through other comprehensive income	Treasury share				
A1	Balance at January 1, 2019	300,041	\$ 3,000,413	\$ 5,957	\$ 392,844	\$ 1,006,548	\$ 806,554	(\$ 158)	\$ 3,173,308	(\$ 13,174)	\$ 8,372,292	\$ 43,207	\$ 8,415,499	
	Appropriation and distribution of earnings for 2018:													
B1	Legal reserve	-	-	-	28,255	-	(28,255)	-	-	-	-	-	-	
B5	Cash dividends to shareholders of the Company	-	-	-	-	-	(254,292)	-	-	-	(254,292)	-	(254,292)	
M1	Other changes in capital surplus: Changes in capital surplus from dividends paid to subsidiaries	-	-	681	-	-	-	-	-	-	681	-	681	
T1	Dividends not collected before the designated date	-	-	278	-	-	-	-	-	-	278	-	278	
Q1	Disposal of investments in equity instruments at fair value through other comprehensive income	-	-	-	-	-	1,275	-	(1,275)	-	-	-	-	
D1	Net income in 2019	-	-	-	-	-	387,431	-	-	-	387,431	(8,611)	378,820	
D3	Other comprehensive income in 2019, net of tax	-	-	-	-	-	(584)	(1,258)	199,844	-	198,002	-	198,002	
D5	Total comprehensive income in 2019	-	-	-	-	-	386,847	(1,258)	199,844	-	585,433	(8,611)	576,822	
O1	Increase in non-controlling interests	-	-	-	-	-	-	-	-	-	-	160	160	
Z1	Balance at December 31, 2019	300,041	3,000,413	6,916	421,099	1,006,548	912,129	(1,416)	3,371,877	(13,174)	8,704,392	34,756	8,739,148	
	Appropriation and distribution of earnings for 2019:													
B1	Legal reserve	-	-	-	38,812	-	(38,812)	-	-	-	-	-	-	
B5	Cash dividends to shareholders of the Company	-	-	-	-	-	(300,041)	-	-	-	(300,041)	-	(300,041)	
M1	Other changes in capital surplus: Changes in capital surplus from dividends paid to subsidiaries	-	-	804	-	-	-	-	-	-	804	-	804	
M5	Acquisition of partial interests in subsidiaries (Note 29)	-	-	-	-	-	(8,064)	-	-	-	(8,064)	8,064	-	
T1	Dividends not collected before the designated date	-	-	191	-	-	-	-	-	-	191	-	191	
Q1	Disposal of investments in equity instruments at fair value through other comprehensive income	-	-	-	-	-	18,614	-	(18,614)	-	-	-	-	
D1	Net income in 2020	-	-	-	-	-	365,025	-	-	-	365,025	(533)	364,492	
D3	Other comprehensive income in 2020, net of tax	-	-	-	-	-	3,110	(3,603)	325,550	-	325,057	(3)	325,054	
D5	Total comprehensive income in 2020	-	-	-	-	-	368,135	(3,603)	325,550	-	690,082	(536)	689,546	
O1	Decrease in non-controlling interests	-	-	-	-	-	-	-	-	-	-	(42,280)	(42,280)	
Z1	Balance at December 31, 2020	300,041	\$ 3,000,413	\$ 7,911	\$ 459,911	\$ 1,006,548	\$ 951,961	(\$ 5,019)	\$ 3,678,813	(\$ 13,174)	\$ 9,087,364	\$ 4	\$ 9,087,368	

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

Shinkong Textile Co., Ltd. and Subsidiaries
Consolidated Statements of Cash Flows
For the Years Ended December 31, 2020 and 2019
(In Thousands of New Taiwan Dollars)

Code		2020	2019
	Cash flows from operating activities		
A10000	Income before income tax	\$ 395,956	\$ 377,792
A20010	Adjustments:		
A20100	Depreciation	139,050	158,978
A20200	Amortization	1,570	1,199
A20300	Expected credit loss/(gain)	650	(157)
A20400	Net losses (gains) on financial assets at fair value through profit or loss	4,275	(4,657)
A20900	Finance costs	27,997	28,089
A21200	Interest income	(1,977)	(4,707)
A21300	Dividend income	(235,190)	(290,380)
A22300	Share of profit or loss of associates accounted for using the equity method	(49,676)	(3,517)
A22500	(Gain)/loss on disposal of property, plant and equipment	(150)	725
A23700	Write-downs of inventories	20,489	18,588
A24100	Net foreign exchange gains	-	(5,640)
A24500	Dividends not collected before the designated date reclassified to capital surplus	191	278
A22900	Gains (losses) on lease modification	98	(41)
A30000	Changes in operating assets and liabilities, net		
A31130	Notes receivable	(313)	9,540
A31150	Accounts receivable	(119,413)	(35,700)
A31180	Other receivables	275	(5,768)
A31200	Inventories	15,307	(85,913)
A31230	Prepayments	(836)	(1,214)
A31240	Other current assets	(10,956)	520
A32125	Contract liabilities	11,948	7,205
A32130	Notes payable	8,952	1,371
A32150	Accounts payable	(1,132)	(8,604)
A32180	Other payables	201	17,396
A32230	Other current liabilities	520	27
A32240	Net defined benefit assets	(819)	(772)
A33000	Cash generated from operations	207,017	174,638
A33300	Interest paid	(28,575)	(28,370)

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Code		2020	2019
A33500	Income tax paid	(31,407)	(1,370)
AAAA	Net cash generated from operating activities	<u>147,035</u>	<u>144,898</u>
	Cash flows from investing activities		
B00010	Acquisition of financial assets at fair value through other comprehensive income	(125,717)	(129,206)
B00020	Proceeds from disposal of financial assets at fair value through other comprehensive income	24,394	9,934
B00030	Proceeds from capital reduction of financial assets at fair value through other comprehensive income	28,257	14,066
B00040	Acquisition of financial assets at amortized cost	-	(100)
B00050	Disposal of financial assets at amortized cost	2,250	-
B00100	Acquisition of financial assets at fair value through profit or loss	(176,587)	(25,001)
B00200	Proceeds from financial assets at fair value through profit or loss	90,341	15,271
B01800	Acquisition of long-term investment in shares accounted for using the equity method	(9,607)	(48,159)
B02700	Acquisition of property, plant, and equipment	(57,391)	(37,329)
B02800	Proceeds from disposal of property, plant, and equipment	150	50
B03800	Decrease in refundable deposits	1,165	478
B04500	Acquisition of intangible assets	(966)	(2,720)
B05400	Acquisition of investment properties	-	(2,741)
B07100	Increase in prepayments for equipment	(39,349)	(1,149)
B07300	Increase in prepayments for land	(17,469)	(93,403)
B07500	Interest received	1,977	4,707
B07600	Dividends received	235,190	290,380
B09900	Dividends received from associates	<u>34,798</u>	<u>756</u>
BBBB	Net cash used in investing activities	(8,564)	(4,166)
	Cash flows from financing activities		
C00200	Decrease in short-term borrowings	(3,000)	(26,500)
C00500	Increase in short-term bills payable	310,000	-
C01600	Proceeds from long-term borrowings	-	190,000
C03000	Proceeds from guarantee deposits received	-	15,366
C03100	Refund of guarantee deposits received	(805)	-
C04020	Repayment of the principal portion of lease liabilities	(43,789)	(46,164)
C04500	Dividends paid to owners of the Company	(299,237)	(253,611)
C05800	Changes in non-controlling interests	<u>(42,280)</u>	<u>160</u>
CCCC	Net cash used in financing activities	(79,111)	(120,749)

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<u>Code</u>		<u>2020</u>	<u>2019</u>
DDDD	Effects of exchange rate changes on cash and cash equivalent	(<u>27</u>)	<u>5,407</u>
EEEE	Net increase in cash and cash equivalents	59,333	25,390
E00100	Cash and cash equivalents at beginning of year	<u>535,465</u>	<u>510,075</u>
E00200	Cash and cash equivalents at end of year	<u>\$ 594,798</u>	<u>\$ 535,465</u>

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

Shinkong Textile Co., Ltd. and Subsidiaries

Notes to Consolidated Financial Statements

For the Years Ended December 31, 2020 and 2019

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

1. Company History

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

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

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

2. Date and Procedures of Authorization of Financial Statements

The consolidated financial statements were approved and authorized for issue in the Board of Directors' meeting on March 30, 2021.

3. Application of New and Amended Standards and Interpretations

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

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

Amendments to IAS 1 and IAS 8 "Definition of Materiality"

The Group adopted the amendments on January 1, 2020. The threshold for materiality was amended to be "could reasonably be expected to influence users" and the disclosures in the consolidated financial statements were adjusted by removing immaterial information which may obscure material information.

- b. Adoption of IFRSs endorsed by the FSC from 2021 onward

<u>New/Revised/Amended Standards and Interpretations</u>	<u>Effective Date Announced by International Accounting Standards Board (IASB)</u>
Amendments to IFRS 4 "Extension of the Temporary Exemption from Applying IFRS 9"	Effective from the date of promulgation
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 "Interest Rate Benchmark Reform - Phase 2"	Effective from annual reporting periods beginning on January 1, 2021
Amendments to IFRS 16 "Covid-19-Related Rent Concessions"	Effective from annual reporting periods beginning on June 1, 2020

c. IFRSs issued by the IASB but not yet endorsed and issued into effect by the FSC

New/Revised/Amended Standards and Interpretations	Effective Date Announced by IASB (Note 1)
"Annual Improvements to IFRSs 2018-2020 Cycle"	January 1, 2022 (Note 2)
Amendments to IFRS 3 "Updating the Reference to the Conceptual Framework"	January 1, 2022 (Note 3)
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be determined
IFRS 17 "Insurance Contracts"	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	January 1, 2023
Amendments to IAS 1 "Disclosure Initiative - Accounting Policies"	January 1, 2023 (Note 6)
Amendments to IAS 8 "Definition of Accounting Estimates"	January 1, 2023 (Note 7)
Amendments to IAS 16 "Property, Plant and Equipment: Proceeds before Intended Use"	January 1, 2022 (Note 4)
Amendments to IAS 37 "Onerous Contracts - Cost of Fulfilling a Contract"	January 1, 2022 (Note 5)

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

Note 2: The amendments to IFRS 9 apply to the exchanges of financial liabilities or the alterations in its terms that occur during the annual reporting periods beginning on or after January 1, 2022. The amendments to IAS 41 "Agriculture" apply to the fair value measurements during the annual reporting periods beginning on or after January 1, 2022. The amendments to IFRS 1 "First-time Adoptions of IFRSs" apply retrospectively for annual reporting periods beginning on or after January 1, 2022.

Note 3: The amendments apply to business combinations with acquisition dates in annual reporting periods beginning on or after January 1, 2022.

Note 4: The amendments apply to property, plant and equipment that arrived at the location and achieved the condition required for their operating method expected by the management on or after January 1, 2021.

Note 5: The amendments apply to contracts with unfulfilled obligations on or after January 1, 2022.

Note 6: The amendments apply prospectively to annual reporting periods beginning on or after January 1, 2023.

Note 7: The amendments apply to changes in accounting estimates and accounting policies on or after January 1, 2023.

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

4. Summary of Significant Accounting Policies

a. Statement of compliance

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

b. Basis of preparation

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

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

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

c. Classification of current and non-current assets and liabilities

Current assets include:

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

Current liabilities include:

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

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

d. Basis of consolidation

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

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group and the non-controlling interests are adjusted to reflect the changes

in their relative interests in the subsidiaries. The difference between the adjusted amount of the non-controlling interests and the fair value of the consideration paid or received is recognized directly in equity and attributed to the owners of the Company.

For details on subsidiaries, including the percentages of ownership and principal business activities, please refer to Note 12 and Tables 6 and 7.

e. Foreign currency

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

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

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

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

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

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

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

f. Inventories

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

g. Investment in associates

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

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

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

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

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

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

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

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

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

h. Property, plant and equipment (PP&E)

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

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

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

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

i. Investment property

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

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

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

j. Intangible assets

1) Separate acquisition

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

2) Derecognition

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

k. Impairment of PP&E, right-of-use assets, intangible assets and assets related to the contract costs

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

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

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

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

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

1. Financial instruments

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

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

1) Financial assets

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

a) Types of measurement

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

i. Financial assets at fair value through profit or loss

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

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

Financial assets at fair value through profit or loss are measured at fair value, of which any dividends and interest accrued are recognized as other income and interest income. Gain or loss on remeasurement are recognized in other gains or losses. Please refer to Note 30 for methods adopted in determining the fair values.

ii. Financial assets at amortized cost

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

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

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

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

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

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

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

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

The Group may, at initial recognition, make an irrevocable decision to designate an investment in equity instrument that is neither held for trading nor contingent

consideration arising from a business combination to be measured at fair value through other comprehensive income.

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

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

b) Impairment of financial assets and contract assets

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

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

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

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

- i. There is internal or external information indicating that it is impossible for the debtor to settle the debt.
- ii. Overdue for more than 90 days, unless there is reasonable and supportable information showing that a delayed default base is more appropriate.

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

c) Derecognition of financial assets

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

If the Group neither transfers nor retains nearly all risks and rewards of the ownership of the financial assets and retains control over the assets, it shall continue to recognize the assets within the scope of continuous participation in the asset and recognize relevant liabilities for the possible payable amount. If the Group retains

almost all risks and reward of the ownership of the financial assets, the assets shall continue to be recognized, and the proceeds collected shall be recognized as secured loans.

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

2) Equity instruments

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

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

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

3) Financial liabilities

a) Subsequent measurement

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

b) Derecognition of financial liabilities

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

m. Revenue recognition

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

Revenue from the sale of goods

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

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

n. Leases

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

1) Where the Group is a lessor:

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

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

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

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

2) Where the Group is a lessee:

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

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

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

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

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

o. Borrowing costs

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

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

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

p. Government grants

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

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

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

q. Employee benefits

1) Short-term employee benefits

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

2) Post-employment benefits

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

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

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

r. Income tax

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

1) Current income tax

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

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

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

2) Deferred income tax

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

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

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

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

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

3) Current and deferred income taxes

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

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

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

The Group takes into account the economic impact of the COVID-19 pandemic in its critical accounting estimates, and the management will constantly review the estimates and basic assumptions. If an amendment of estimates only affects the current period, it shall be recognized in the period of amendment; if an amendment of accounting estimates affects the current year and future periods, it shall be recognized in the period of amendment and future periods.

6. Cash and Cash Equivalents

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Cash on hand and working capital	\$ 843	\$ 418
Checks and demand deposits in banks	593,955	505,067
Cash equivalent (investments with maturities within three months)		
Time deposits in banks	-	29,980
	<u>\$ 594,798</u>	<u>\$ 535,465</u>

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

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Bank deposits	0.001% ~ 0.3%	0.001% ~ 2.18%

7. Financial Instruments at Fair Value through Profit or Loss

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
<u>Financial assets - current</u>		
Designated as at fair value through profit or loss		
- Domestic stocks listed on TWSE or TPEX or emerging stocks	\$ 35,846	\$ 32,474
Mandatorily measured at fair value through profit		
- Fund beneficiary certificates	<u>151,683</u>	<u>73,084</u>
	<u>\$ 187,529</u>	<u>\$ 105,558</u>

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

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
<u>Current</u>		
Domestic		
Stocks listed on TWSE or TPEX	<u>\$ 1,245,718</u>	<u>\$ 1,013,095</u>
<u>Non-current</u>		
Domestic		
Stocks listed on TWSE or TPEX	\$ 2,519,913	\$ 2,472,816
Unlisted stocks	<u>1,739,119</u>	<u>1,632,262</u>
Subtotal	<u>\$ 4,259,032</u>	<u>\$ 4,105,078</u>

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

Please refer to Note 34 for details of investments in equity instruments at fair value through other comprehensive income pledged.

9. Financial Assets at Amortized Cost

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
<u>Non-current</u>		
<u>Domestic</u>		
Time deposits with original maturities over three months	<u>\$ 1,800</u>	<u>\$ 4,050</u>

- a. As of December 31, 2020 and 2019, the interest rate ranges of time deposits with original maturities over three months were 0.41% to 0.765% and 0.66% to 1.23%, respectively.
- b. Financial assets at amortized cost are classified as current or non-current pursuant to the maturity dates on the contracts or the pledged periods.
- c. Please refer to Note 34 for details of financial assets at amortized cost pledged.

10. Notes Receivables, Accounts Receivables, and Other Receivables

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
<u>Notes receivable</u>		
Measured at amortized cost		
Total carrying amount	\$ 7,195	\$ 6,882
Less: loss allowance	<u>-</u>	<u>-</u>
	<u>\$ 7,195</u>	<u>\$ 6,882</u>
<u>Accounts receivable</u>		
Measured at amortized cost		
Total carrying amount	\$285,758	\$175,693
Less: loss allowance	(<u>1,664</u>)	(<u>1,014</u>)
	<u>\$284,094</u>	<u>\$174,679</u>
Accounts receivable - related parties (Note XXXIII)	<u>\$ 37,203</u>	<u>\$ 27,855</u>
<u>Other receivables</u>		
Other receivables - related parties (Note XXXIII)	\$ 1	\$ 1
Others	<u>9,659</u>	<u>9,934</u>
	<u>\$ 9,660</u>	<u>\$ 9,935</u>

Notes and accounts receivable

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

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

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

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

December 31, 2020

	Billed for 1~60 Days	Billed for 61~120 Days	Billed for 121~180 Days	Billed over 180 Days	Total
ECL rate	0%~0.15%	2.17%~3.42%	4.85%~16.48%	11.94%~100%	
Total carrying amount	\$ 308,885	\$ 19,226	\$ 892	\$ 1,153	\$ 330,156
loss allowance (lifetime ECL)	(<u>157</u>)	(<u>402</u>)	(<u>62</u>)	(<u>1,043</u>)	(<u>1,664</u>)
Amortized cost	<u>\$ 308,728</u>	<u>\$ 18,824</u>	<u>\$ 830</u>	<u>\$ 110</u>	<u>\$ 328,492</u>

December 31, 2019

	Billed for 1~60 Days	Billed for 61~120 Days	Billed for 121~180 Days	Billed over 180 Days	Total
ECL rate	0%~0.15%	2.56%	11.27%	30.21%~100%	-
Total carrying amount	\$ 196,520	\$ 8,772	\$ 3,693	\$ 1,445	\$ 210,430
loss allowance (lifetime ECL)	(<u>507</u>)	(<u>403</u>)	(<u>26</u>)	(<u>78</u>)	(<u>1,014</u>)
Amortized cost	<u>\$ 196,013</u>	<u>\$ 8,369</u>	<u>\$ 3,667</u>	<u>\$ 1,367</u>	<u>\$ 209,416</u>

Changes in loss allowances for receivables are as follows:

	2020	2019
Beginning balance	\$ 1,014	\$ 1,171
Add: Impairment loss provided for in the year	650	-
Add: Impairment loss reversed in the year	-	(<u>157</u>)
Ending balance	<u>\$ 1,664</u>	<u>\$ 1,014</u>

11. Inventories

	December 31, 2020	December 31, 2019
Finished goods	\$158,719	\$149,844
Work in progress	61,972	60,023
Raw materials	64,792	49,419
Merchandise inventories	<u>166,610</u>	<u>228,603</u>
	<u>\$452,093</u>	<u>\$487,889</u>

The cost of goods sold related to inventories for the years ended December 31, 2020 and 2019 was NT\$1,411,442 thousand and NT\$1,379,987 thousand respectively. The cost of goods sold for the years ended December 31, 2020 and 2019 included inventory write-down of NT\$20,489 thousand and NT\$18,588 thousand respectively.

12. Subsidiaries

Subsidiaries included in the consolidated financial statements

Entities in the consolidated financial statements are listed as follows:

Investor	Name of subsidiary	Nature of Business	Percentage of Ownership		Note
			December 31, 2020	December 31, 2019	
Shinkong Textile Co., Ltd.	Shinkong Asset Management Co., Ltd.	Development and rental of housing, building and industrial factory, development of specific areas and investment, development and construction in public construction	100%	100%	1
Shinkong Textile Co., Ltd.	SK INNOVATION CO., LTD.	Investment	100%	100%	2
SK INNOVATION CO., LTD.	Shanghai Xin Ying Trading Co., Ltd.	Garments, leather suitcases, daily commodities, craft gifts (except for cultural relics) and packaging materials.	100%	100%	3
Shanghai Xin Ying Trading Co., Ltd.	Shanghai Yong Yi Internet Technology Co., Ltd.	Development of specialized field in internet technology, technical service, technology transfer, technical consultation, internet business and e-commerce.	61%	61%	4
Shinkong Asset Management Co., Ltd.	Xin Fu Development Co., Ltd.	Development and rental of housing, building and industrial factory, and development of specific areas	100%	100%	5
Shinkong Asset Management Co., Ltd.	Hua Yang Motor Co., Ltd.	Wholesale of motor vehicles, retail sale of auto and motorcycle parts and accessories, automobile repair, other automobile services, leasing, and manufacturing of motor vehicles/motorcycles and their parts	100%	55%	6
Hua Yang Motor Co., Ltd.	One Full Co., Ltd.	Wholesale of culture, education, musical instruments and educational entertainment supplies, retail sale of cloths, garments, shoes, hats, umbrellas and clothing accessories, retail sale of furniture, bedding, kitchen utensils and fixtures, retail sale of daily commodities, retail sale of cleaning supplies, retail sale of cosmetics, retail sale of culture, education, musical instruments and educational entertainment supplies, retail sale of bicycles and parts, retail sale of jewelry and precious metals, retail sale without storefront, other integrated retail sale, international trade, warehousing, and tally packaging	100%	-	7

Note:

1. Shinkong Asset Management Co., Ltd. (hereinafter referred to as "Shinkong Asset") was established on September 6, 1990. It is a 100%-owned subsidiary of the Company.
2. SK INNOVATION (Samoa) Co., Ltd. (hereinafter referred to as "SK") was registered for its establishment in Samoa on March 15, 2012. It is a 100%-owned subsidiary of the Company and mainly engages in investment.
3. Shanghai Xin Ying Trading Co., Ltd. (hereinafter referred to as "Shanghai Xin Ying") was approved for establishment in Shanghai, People's Republic of China in July 2012 as a wholly foreign-owned enterprise. It is a 100%-owned subsidiary of SK with the ultimate parent company being the Company.
4. Shanghai Yong Yi Internet Technology Co., Ltd. (hereinafter referred to as "Shanghai Yong Yi") was approved for establishment in Shanghai, People's Republic of China in November 2018. It is a 61%-owned subsidiary of Shanghai Xin Ying with the ultimate parent company being the Company.
5. Xin Fu Development Co., Ltd. (hereinafter referred to as "Xin Fu Development") was established on February 9, 2015. It is a 100%-owned subsidiary of Shinkong Asset with the ultimate parent company being the Company.
6. Hua Yang Motor Co., Ltd. (hereinafter referred to as "Hua Yang Motor") was established on February 10, 2015. Due to equity restructure within the Group, the Company disposed 55% of its holdings in Hua Yang Motor to Shinkong Asset in January 2019. Shinkong Assets acquired interests in Hua Yang Motor on January 20, 2020 and the total holdings increased from 55% to 100%.

7. One Full Co., Ltd. (hereinafter referred to as "One Full") was established on September 29, 2020. It is a 100%-owned subsidiary of Hua Yang Motor with the ultimate parent company being the Company.

13. Investments Accounted for Using the Equity Method

Investments in associates

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
<u>Associates that are individually material</u>		
Unlisted companies		
Lian Quan Investment Co., Ltd.	\$ 364,139	\$ 349,431
Shang De Motor Co., Ltd.	264,006	246,139
Less: Unrealized gains on disposal	<u>-</u>	(<u>6,358</u>)
	<u>\$ 628,145</u>	<u>\$ 589,212</u>
<u>Associates that are not individually material</u>		
Unlisted companies		
WPI-High Street, LLC	<u>\$ 67,541</u>	<u>\$ 74,429</u>

The unrealized gains on disposal were due to the trading of the same marketable securities by the Group and Lian Quan Investment Co., Ltd., which was accounted for using the equity method, at the centralized securities exchange market in 1997. The gains on disposal were deemed as unrealized during a certain period of time.

a. Associates that are individually material

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

<u>Name of Company</u>	<u>Percentage of Ownership Interest and Voting Rights</u>	
	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Lian Quan Investment Co., Ltd.	48.89%	48.89%
Shang De Motor Co., Ltd.	33.50%	33.50%

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

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

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

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

Lian Quan Investment Co., Ltd.

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Current assets	\$ 10,482	\$ 4,316
Non-current assets	965,140	953,511
Current liabilities	(230,809)	(243,096)
Equity	<u>\$ 744,813</u>	<u>\$ 714,731</u>
Percentage of shares held by the consolidated entity	48.89%	48.89%
Interests of the consolidated entity	\$ 364,139	\$ 349,431
Unrealized gains on disposal	-	(6,538)
Carrying amount of investments	<u>\$ 364,139</u>	<u>\$ 343,073</u>
	<u>2020</u>	<u>2019</u>
Operating revenue	<u>\$ 22,365</u>	<u>\$ 19,253</u>
Net income	\$ 18,453	\$ 12,043
Other comprehensive income	11,628	(63,763)
Total comprehensive income	<u>\$ 30,081</u>	<u>(\$ 51,720)</u>

Shang De Motor Co., Ltd.

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Current assets	\$ 828,446	\$ 848,683
Non-current assets	538,542	570,494
Current liabilities	(878,988)	(985,988)
Non-current liabilities	(107,855)	(106,381)
Equity	<u>\$ 380,145</u>	<u>\$ 326,808</u>
Percentage of shares held by the consolidated entity	33.50%	33.50%
Interests of the consolidated entity	\$ 127,348	\$ 109,481
investment premium	136,658	136,658
Carrying amount of investments	<u>\$ 264,006</u>	<u>\$ 246,139</u>
	<u>2020</u>	<u>2019</u>
Operating revenue	<u>\$ 3,676,067</u>	<u>\$ 3,126,542</u>
Net income	\$ 53,336	\$ 3,885
Total comprehensive income	<u>\$ 53,336</u>	<u>\$ 3,885</u>

b. Aggregate information of associates that are not individually material

WPI-High Street, LLC

	<u>2020</u>	<u>2019</u>
The Group's share of:		
Net income (loss) of continuing operations	\$ 22,786	(\$ 3,727)
Other comprehensive income	(4,483)	32,299
Total comprehensive income	<u>\$ 18,303</u>	<u>\$ 28,572</u>

14. Property, Plant, and Equipment

	Land	Buildings	Machinery and Equipment	Transportation Equipment	Hydropower Equipment	Miscellaneous Equipment	Lease Improvement	Construction in Progress	Total
Cost									
Balance at January 1, 2020	\$ 92,452	\$ 245,528	\$ 539,223	\$ 7,625	\$ 88,956	\$ 107,760	\$ 45,051	\$ 19,517	\$ 1,146,112
Additions	-	-	631	1,010	219	13,424	1,638	40,469	57,391
Reclassifications	-	-	11,141	-	1,300	3,553	2,328	(11,870)	6,452
Disposals	-	-	(229)	-	(680)	(945)	(32,220)	-	(34,074)
Net exchange difference	-	-	-	-	-	1	-	-	1
Balance at December 31, 2020	<u>\$ 92,452</u>	<u>\$ 245,528</u>	<u>\$ 550,766</u>	<u>\$ 8,635</u>	<u>\$ 89,795</u>	<u>\$ 123,793</u>	<u>\$ 16,797</u>	<u>\$ 48,116</u>	<u>\$ 1,175,882</u>
Accumulated depreciation and impairment									
Balance at January 1, 2020	\$ -	\$ 235,670	\$ 410,363	\$ 5,726	\$ 71,017	\$ 74,095	\$ 30,602	\$ -	\$ 827,473
Depreciation	-	1,275	30,340	919	5,474	9,249	13,654	-	60,911
Disposals	-	-	(229)	-	(680)	(945)	(32,220)	-	(34,074)
Net exchange difference	-	-	-	-	-	1	-	-	1
Balance at December 31, 2020	<u>\$ -</u>	<u>\$ 236,945</u>	<u>\$ 440,474</u>	<u>\$ 6,645</u>	<u>\$ 75,811</u>	<u>\$ 82,400</u>	<u>\$ 12,036</u>	<u>\$ -</u>	<u>\$ 854,311</u>
Net balance at December 31, 2020	<u>\$ 92,452</u>	<u>\$ 8,583</u>	<u>\$ 110,292</u>	<u>\$ 1,990</u>	<u>\$ 13,984</u>	<u>\$ 41,393</u>	<u>\$ 4,761</u>	<u>\$ 48,116</u>	<u>\$ 321,571</u>
Cost									
Balance at January 1, 2019	\$ 92,452	\$ 245,178	\$ 539,092	\$ 7,625	\$ 88,056	\$ 99,817	\$ 77,630	\$ 212,656	\$ 1,362,506
Additions	-	350	557	-	1,330	4,251	11,323	19,518	37,329
Reclassifications	-	-	(408)	-	570	3,692	896	(212,657)	(207,907)
Disposals	-	-	(18)	-	(1,000)	-	(44,798)	-	(45,816)
Balance at December 31, 2019	<u>\$ 92,452</u>	<u>\$ 245,528</u>	<u>\$ 539,223</u>	<u>\$ 7,625</u>	<u>\$ 88,956</u>	<u>\$ 107,760</u>	<u>\$ 45,051</u>	<u>\$ 19,517</u>	<u>\$ 1,146,112</u>
Accumulated depreciation and impairment									
Balance at January 1, 2019	\$ -	\$ 233,763	\$ 378,693	\$ 4,926	\$ 65,566	\$ 65,437	\$ 49,861	\$ -	\$ 798,246
Depreciation	-	1,907	31,688	800	5,676	8,658	25,539	-	74,268
Disposals	-	-	(18)	-	(225)	-	(44,798)	-	(45,041)
Balance at December 31, 2019	<u>\$ -</u>	<u>\$ 235,670</u>	<u>\$ 410,363</u>	<u>\$ 5,726</u>	<u>\$ 71,017</u>	<u>\$ 74,095</u>	<u>\$ 30,602</u>	<u>\$ -</u>	<u>\$ 827,473</u>
Net balance at December 31, 2019	<u>\$ 92,452</u>	<u>\$ 9,858</u>	<u>\$ 128,860</u>	<u>\$ 1,899</u>	<u>\$ 17,939</u>	<u>\$ 33,665</u>	<u>\$ 14,449</u>	<u>\$ 19,517</u>	<u>\$ 318,639</u>

For the years ended December 31, 2020 and 2019, as there was no sign of impairment, the Company did not conduct impairment assessments.

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

Buildings	
Main building of the plant	15~35 years
Others	3~10 years
Machinery and Equipment	1~15 years
Transportation Equipment	5~7 years
Hydropower Equipment	5~20 years
Miscellaneous Equipment	1~20 years
Lease Improvement	1~5 years

Hua Yang Motor Co., Ltd. completed the plant construction in February 2019 for the Real Estate Department to use under operating leases. Construction in progress of NT\$212,515 thousand was reclassified to investment properties.

15. Lease Agreements

a. (I) Right-of-use assets

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Carrying amount of right-of-use assets		
Land	\$ 6,620	\$ 11,292
Buildings	96,051	134,691
Office equipment	702	413
Transportation Equipment	2,153	3,777
Other equipment	<u>552</u>	<u>941</u>
	<u>\$106,078</u>	<u>\$151,114</u>
	<u>2020</u>	<u>2019</u>
Additions to right-of-use assets	<u>\$ 5,278</u>	<u>\$136,052</u>
Disposal of right-of use assets	<u>\$ 6,576</u>	<u>\$ 873</u>
Depreciation of right-of-use assets		
Land	\$ 4,673	\$ 4,584
Buildings	36,187	39,072
Office equipment	297	289
Transportation Equipment	2,787	2,749
Other equipment	<u>389</u>	<u>468</u>
	<u>\$ 44,333</u>	<u>\$ 47,162</u>
	<u>2020</u>	<u>2019</u>
Lease modification loss (gain) by functions		
Operating costs	(\$ 4)	\$ -
Operating expenses	<u>102</u>	(<u>41</u>)
	<u>\$ 98</u>	(<u>\$ 41</u>)

b. Lease liabilities

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Carrying amount of lease liabilities		
Current	\$ 42,911	\$ 47,983
Non-current	<u>64,766</u>	<u>104,088</u>
	<u>\$107,677</u>	<u>\$152,071</u>

Discount rate ranges for lease liabilities are as follows:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Land	0.758%~1.010%	1.010%
Buildings	0.952%~1.008%	1.008%~1.010%
Office equipment	0.981%~1.008%	1.008%
Transportation Equipment	1.003%~1.008%	1.008%~1.010%
Other equipment	1.008%	1.008%

c. Major lease activities and terms

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

d. Other lease information

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

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Short-term lease expenses	<u>\$ 1,404</u>	<u>\$ 3,654</u>
Total cash outflow for leases	<u>(\$ 46,446)</u>	<u>(\$ 51,476)</u>

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

16. Investment property

	<u>Land</u>	<u>Buildings</u>	<u>Total</u>
<u>Cost</u>			
Balance at January 1, 2020	\$ 4,466,477	\$ 1,350,963	\$ 5,817,440
Balance at December 31, 2020	<u>\$ 4,466,477</u>	<u>\$ 1,350,963</u>	<u>\$ 5,817,440</u>
	<u>Land</u>	<u>Buildings</u>	<u>Total</u>
<u>Accumulated depreciation and impairment</u>			
Balance at January 1, 2020	\$ -	\$ 689,850	\$ 689,850
Depreciation	<u>-</u>	<u>33,889</u>	<u>33,889</u>
Balance at December 31, 2020	<u>\$ -</u>	<u>\$ 723,739</u>	<u>\$ 723,739</u>
Net balance at December 31, 2020	<u>\$ 4,466,477</u>	<u>\$ 627,224</u>	<u>\$ 5,093,701</u>
<u>Cost</u>			
Balance at January 1, 2019	\$ 4,466,477	\$ 1,135,707	\$ 5,602,184
Additions	-	2,741	2,741
Reclassifications	<u>-</u>	<u>212,515</u>	<u>212,515</u>
Balance at December 31, 2019	<u>\$ 4,466,477</u>	<u>\$ 1,350,963</u>	<u>\$ 5,817,440</u>
<u>Accumulated depreciation and impairment</u>			
Balance at January 1, 2019	\$ -	\$ 652,219	\$ 652,219
Depreciation	<u>-</u>	<u>37,631</u>	<u>37,631</u>
Balance at December 31, 2019	<u>\$ -</u>	<u>\$ 689,850</u>	<u>\$ 689,850</u>
Net balance at December 31, 2019	<u>\$ 4,466,477</u>	<u>\$ 661,113</u>	<u>\$ 5,127,590</u>

The investment property is subject to lease terms of 1 to 20 years. All operating lease agreements contain a provision whereby the lessee, in exercising the right to renew the lease, adjusts the rent in accordance with 3% to 5% of the prevailing market rent rate. Lessees do not have the bargain purchase option to acquire the property at the end of the lease term.

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

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Year 1	\$ 289,839	\$ 293,154
Year 2	241,154	237,556
Year 3	223,014	196,520
Year 4	167,947	181,668
Year 5	153,599	139,029
Over 5 years	<u>1,134,659</u>	<u>1,296,087</u>
	<u>\$ 2,210,212</u>	<u>\$ 2,344,014</u>

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

Buildings	31~50 years
Renovation	4~20 years

The fair value of the investment properties as of December 31, 2020 and 2019 was based on the valuations carried out by independent qualified professional valutors Mr. I-Chuan Chang, Mr. Chen-Hsing Lin and Mr. Yu-Hua Lo in 2019 and Mr. I-Chuan Chang and Mr. Chen-Hsing Lin in 2018 from Y.C.R.E., respectively, all members of certified ROC real estate appraisers.

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Fair value	<u>\$ 30,638,601</u>	<u>\$ 29,372,451</u>

The Group held freehold interests in all of its investment properties. Please refer to Note 34 for the amount of investment property pledged as collateral for borrowings.

17. Other Intangible Assets

	<u>Computer Software</u>
<u>Cost</u>	
Balance at January 1, 2020	\$ 22,448
Additions	966
Reclassifications	220
Disposals	(18,328)
Balance at December 31, 2020	<u>\$ 5,306</u>
 <u>Accumulated amortization and impairment</u>	
Balance at January 1, 2020	\$ 19,696
Amortization	1,570
Disposals	(18,328)
Balance at December 31, 2020	<u>\$ 2,938</u>
 Net balance at December 31, 2020	 <u>\$ 2,368</u>

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	Computer Software
<u>Cost</u>	
Balance at January 1, 2019	\$ 19,728
Additions	<u>2,720</u>
Balance at December 31, 2019	<u>\$ 22,448</u>
<u>Accumulated amortization and impairment</u>	
Balance at January 1, 2019	\$ 18,497
Amortization	<u>1,199</u>
Balance at December 31, 2019	<u>\$ 19,696</u>
Net balance at December 31, 2019	<u>\$ 2,752</u>

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

Computer Software	2~5 years
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18. Other Assets

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
<u>Current</u>		
Prepayments		
Prepaid expenses	\$ 16,410	\$ 21,207
Prepayments to suppliers	41,680	35,704
Business tax paid and excess business tax paid	<u>2,339</u>	<u>2,902</u>
	<u>\$ 60,429</u>	<u>\$ 59,813</u>
Other assets		
Other financial assets	\$ 5,348	\$ -
Others	<u>6,983</u>	<u>1,375</u>
	<u>\$ 12,331</u>	<u>\$ 1,375</u>
<u>Non-current</u>		
Refundable deposits	\$ 11,461	\$ 12,626
Net defined benefit assets (Note 22)	7,986	4,057
Prepayments for equipment	33,876	979
Prepayments for land (Note 35)	<u>110,872</u>	<u>93,403</u>
	<u>\$164,195</u>	<u>\$111,065</u>

19. Borrowings

a. Short-term borrowings

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
<u>Secured borrowings (Note 34)</u>		
Bank borrowings	<u>\$ 2,003,500</u>	<u>\$ 2,006,500</u>

The ranges of interest rates on bank borrowings were 0.93% to 1.586% and 0.98% to 1.586% as of December, 31, 2020 and 2019, respectively.

b. Short-term bills payable

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Commercial paper payable	\$ 950,000	\$ 640,000
Less: Discounts on short-term bills payable	(<u>1,313</u>)	(<u>730</u>)
	<u>\$ 948,687</u>	<u>\$ 639,270</u>

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

December 31, 2020

Guarantor/Accepting Institution	Nominal Amount	Discounted Amount	Carrying amount	Interest Rate	Collateral	Carrying Amount of Collateral
International Bills Finance Corporation (I)	\$ 50,000	(\$ 87)	\$ 49,913	0.620%	None	None
International Bills Finance Corporation (II)	150,000	(208)	149,792	0.620%	None	None
Ta Ching Bills Finance Corporation (I)	40,000	(56)	39,944	0.710%	None	None
Ta Ching Bills Finance Corporation (II)	50,000	(17)	49,983	0.710%	None	None
China Bills Finance Corporation	170,000	(361)	169,639	0.250%	None	None
Taiwan Finance Cooperation	100,000	(66)	99,934	0.660%	None	None
Taiwan Cooperative Bills Finance Corporation (I)	70,000	(35)	69,965	0.810%	None	None
Taiwan Cooperative Bills Finance Corporation (II)	60,000	(83)	59,917	0.810%	None	None
Taiwan Cooperative Bills Finance Corporation (III)	70,000	(46)	69,954	0.810%	None	None
Taiwan Cooperative Bills Finance Corporation (IV)	50,000	(96)	49,904	0.810%	None	None
Mega Bills Finance Co., Ltd.	100,000	(192)	99,808	0.600%	None	None
Shanghai Commercial & Savings Bank, Ltd.	<u>40,000</u>	(<u>66</u>)	<u>39,934</u>	0.350%	None	None
	<u>\$ 950,000</u>	(<u>\$ 1,313</u>)	<u>\$ 948,687</u>			

December 31, 2019

Guarantor/Accepting Institution	Nominal Amount	Discounted Amount	Carrying amount	Interest Rate	Collateral	Carrying Amount of Collateral
Ta Ching Bills Finance Corporation	\$ 100,000	(\$ 141)	\$ 99,859	0.76%	None	None
China Bills Finance Corporation	200,000	(282)	199,718	0.55%	None	None
Taiwan Finance Cooperation	150,000	(207)	149,793	0.70%	None	None
Taiwan Cooperative Bills Finance Corporation (I)	90,000	(47)	89,953	0.80%	None	None
Mega Bills Finance Co., Ltd. (I)	50,000	(26)	49,974	0.67%	None	None
Taiwan Cooperative Bills Finance Corporation (II)	<u>50,000</u>	(<u>27</u>)	<u>49,973</u>	0.80%	None	None
	<u>\$ 640,000</u>	(<u>\$ 730</u>)	<u>\$ 639,270</u>			

c. Long-term borrowings

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
<u>Secured borrowings (Note 34)</u>		
Bank borrowings	\$190,000	\$ 190,000
Less: Current portion	(<u>190,000</u>)	<u>-</u>
Long-term borrowings	<u>\$ -</u>	<u>\$ 190,000</u>

- 1) The Group obtained NT\$190,000 thousand from the drawdown of a new bank borrowing which is due on June 25, 2021. As of December 31, 2020, the effective interest rate is 0.97% p.a. with monthly interest payments and full repayment on principal when due.
- 2) In 2019, the Group obtained NT\$190,000 thousand from the drawdown of a new bank borrowing which is due on January 11, 2021. As of December 31, 2019, the effective interest rate is 1.2% p.a. with monthly interest payments. The Group made early repayment on the borrowing in January, 2020.
- 3) The above long-term borrowings were secured by the pledge of the Group's investment property (Please refer to Note 34).

20. Notes and Accounts Payable

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

21. Other Liabilities

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
<u>Current</u>		
Other payables		
Tax payable	\$ 5,256	\$ 4,089
Salaries and bonus payable	39,865	36,278
Employee compensation payable	9,295	9,670
Director and supervisor remuneration payable	7,400	7,600
Pension payable	2,059	1,994
Services expense payable	1,380	1,321
Electricity and fuels payable	817	1,040
Interest payable	862	857
Others	<u>26,105</u>	<u>22,833</u>
	<u>\$ 93,039</u>	<u>\$ 85,682</u>
Other payables - related parties	<u>\$ 1,231</u>	<u>\$ 8,382</u>
Other liabilities		
Temporary credits	\$ 145	\$ 14
Receipts under custody	2,462	2,073
Deferred revenue	<u>111</u>	<u>194</u>
	<u>\$ 2,718</u>	<u>\$ 2,281</u>

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

	<u>2020</u>	<u>2019</u>
Beginning balance	\$ 194	\$ 277
Amortization for the year (recognized as deductions to depreciation)	(<u>83</u>)	(<u>83</u>)
Ending balance	<u>\$ 111</u>	<u>\$ 194</u>

22. Post-employment Benefit Plans

a. Defined contribution plans

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

b. Defined benefit plans

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

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

	December 31, 2020	December 31, 2019
Present value of defined benefit obligation	\$ 41,339	\$ 42,554
Fair value of plan assets	(49,325)	(46,611)
Net defined benefit assets	(\$ 7,986)	(\$ 4,057)

Changes in net defined benefit assets are as follows:

	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit assets
Balance at January 1, 2019	<u>\$ 39,834</u>	<u>(\$ 43,703)</u>	<u>(\$ 3,869)</u>
Service costs			
Current service costs	198	-	198
Interest expense (income)	<u>398</u>	<u>(442)</u>	<u>(44)</u>
Recognized in profit or loss	<u>596</u>	<u>(442)</u>	<u>154</u>
Remeasurements			
Return on plan assets (excluding amounts that are included in net interest)	-	(1,540)	(1,540)
Actuarial losses - changes in financial assumptions	991	-	991
Actuarial losses - experience adjustments	<u>1,133</u>	<u>-</u>	<u>1,133</u>
Recognized in other comprehensive income	<u>2,124</u>	<u>(1,540)</u>	<u>584</u>
Contributions from the employer	<u>-</u>	<u>(926)</u>	<u>(926)</u>
Balance at December 31, 2019	<u>42,554</u>	<u>(46,611)</u>	<u>(4,057)</u>
Service costs			
Current service costs	135	-	135
Interest expense (income)	<u>319</u>	<u>(353)</u>	<u>(34)</u>
Recognized in profit or loss	<u>454</u>	<u>(353)</u>	<u>101</u>

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	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit assets
Remeasurements			
Return on plan assets (excluding amounts that are included in net interest)	\$ -	(\$ 1,516)	(\$ 1,516)
Actuarial losses - changes in financial assumptions	888	-	888
Actuarial losses - experience adjustments	(2,482)	-	(2,482)
Recognized in other comprehensive income	(1,594)	(1,516)	(3,110)
Contributions from the employer	-	(920)	(920)
Plan assets paid	(75)	75	-
Balance at December 31, 2020	<u>\$ 41,339</u>	<u>(\$ 49,325)</u>	<u>(\$ 7,986)</u>

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

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

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

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Discount rate	0.500%	0.750%
Expected rate of salary increase	2.250%	2.250%

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

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Discount rate		
Increase by 0.25%	(\$ 889)	(\$ 991)
Decrease by 0.25%	<u>\$ 919</u>	<u>\$ 1,027</u>
Expected rate of salary increase		
Increase by 0.25%	<u>\$ 887</u>	<u>\$ 994</u>
Decrease by 0.25%	(\$ 863)	(\$ 965)

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

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Expected contributions to the plan for the next year	\$ <u>930</u>	\$ <u>936</u>
Average duration of defined benefit obligations	8.6 years	9.4 years

23. Equity

a. Share capital

Common stock

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Number of shares authorized (in thousands)	<u>360,000</u>	<u>360,000</u>
Share capital authorized	<u>\$ 3,600,000</u>	<u>\$ 3,600,000</u>
Number of shares issued and fully paid (in thousands)	<u>300,041</u>	<u>300,041</u>
Share capital issued	<u>\$ 3,000,413</u>	<u>\$ 3,000,413</u>

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

b. Capital surplus

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
<u>May not be used for any purpose</u>		
Treasury share transactions	\$ 6,736	\$ 5,932
Dividends not collected before the designated date	<u>1,175</u>	<u>984</u>
	<u>\$ 7,911</u>	<u>\$ 6,916</u>

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

c. Retained earnings and dividend policy

In the shareholders' meeting on June 14, 2019, the Company had resolved to amend the Articles of Incorporation where the Board of Directors is authorized by the Company to make special resolutions concerning the distribution of dividends and bonuses in the form of cash and report to the shareholders' meeting. The distribution of earnings in the form of stock dividends is to be determined by the shareholders' meeting.

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

remuneration of directors and supervisors in the Group's Articles of Incorporation, please refer to Note 25(7) Compensation to employees and remuneration to directors and supervisors.

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

The distribution of earnings for years ended December 31, 2019 and 2018 approved in the shareholders' meetings on June 19, 2020 and June 14, 2019, respectively, was as follows:

	Distribution of Earnings		Dividends Per Share (NT\$)	
	2019	2018	2019	2018
Legal reserve	\$ 38,812	\$ 28,255	\$ -	\$ -
Cash dividends	300,041	254,292	1	0.8475

The distribution of earnings for year ended December 31, 2020 approved in the Board of Directors' meeting on March 30, 2021 was as follows:

	Distribution of Earnings	Dividends Per Share (NT\$)
Legal reserve	\$ 37,868	\$ -
Cash dividends	300,041	1

The above distribution of cash dividends is approved by the Board of Directors and is subject to the resolution of the shareholders' meeting to be held on June 18, 2021.

d. Other equity

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

	2020	2019
Beginning balance	\$ 3,371,877	\$ 3,173,308
Unrealized gains (losses) incurred during the year		
Unrealized gains (losses)		
Equity instruments	319,869	197,131
Share of associates accounted for using the equity method	5,681	2,713
Other comprehensive income for the year	325,550	199,844
Accumulated gains (losses) on disposal of equity instruments transferred to retained earnings	(18,614)	(1,275)
Ending balance	\$ 3,678,813	\$ 3,371,877

e. Non-controlling Interests

	2020	2019
Beginning balance	\$ 34,756	\$ 43,207
Net losses for the period	(533)	(8,611)
Other comprehensive income for the period		
Exchange differences on translating the financial statements of foreign operations	(3)	-
Acquisition of non-controlling interest in subsidiaries (Note 29)	(34,216)	160
Ending balance	\$ 4	\$ 34,756

f. Treasury share

Reason for repurchase	Shares of Parent Company Held by Subsidiary (in thousands)
As of January 1, 2020	<u>804</u>
As of December 31, 2020	<u>804</u>
As of January 1, 2019	<u>804</u>
As of December 31, 2019	<u>804</u>

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

December 31, 2020

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

December 31, 2019

Name of subsidiary	No. of Shares Held (in thousands)	Carrying amount	Market Value
Shinkong Asset Management Co., Ltd.	<u>804</u>	<u>\$ 13,174</u>	<u>\$ 33,520</u>

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

24. Revenue

	2020	2019
Revenue from contracts with customers		
Revenue from the sale of textiles	\$ 1,159,247	\$ 1,205,222
Retail sale/Revenue from sale of garment	633,054	531,915
Rental revenue	355,916	344,123
Others	<u>996</u>	<u>2,321</u>
	<u>\$ 2,149,213</u>	<u>\$ 2,083,581</u>

a. Details on contracts with customers

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

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

b. Contract balance

	December 31, 2020	December 31, 2019	January 1, 2019
Notes receivable (Note 10)	\$ 7,195	\$ 6,882	\$ 16,422
Accounts receivable (Note 10)	<u>321,297</u>	<u>202,534</u>	<u>166,677</u>
	<u>\$ 328,492</u>	<u>\$ 209,416</u>	<u>\$ 183,099</u>
Contract liabilities			
Sale of goods	\$ 33,111	\$ 19,161	\$ 9,538
Rental revenue of investment property	<u>16,876</u>	<u>18,878</u>	<u>21,296</u>
Contract liabilities - current	<u>\$ 49,987</u>	<u>\$ 38,039</u>	<u>\$ 30,834</u>

c. Breakdown of revenue from contracts with customers

Please refer to Note 39 for the breakdown of revenue from contracts with customers.

25. Net Income

a. Interest income

	2020	2019
Bank deposits	\$ 1,939	\$ 4,325
Loans to related parties	-	332
Others	<u>38</u>	<u>50</u>
	<u>\$ 1,977</u>	<u>\$ 4,707</u>

b. Other income

	2020	2019
Dividend income	\$ 235,190	\$ 290,380
Others	<u>10,105</u>	<u>5,715</u>
	<u>\$ 245,295</u>	<u>\$ 296,095</u>

c. Other gains and losses

	2020	2019
Gains on financial assets and financial liabilities		
Financial assets designated as at fair value through profit or loss	\$ 3,372	\$ 1,704
Financial assets mandatorily measured at fair value through profit or loss	(7,647)	2,953
Gain/(loss) on disposal of property, plant and equipment	150	(725)
Net foreign exchange losses	(27,582)	(12,068)
Other expenses	<u>(4,735)</u>	<u>(3,711)</u>
	<u>(\$ 36,442)</u>	<u>(\$ 11,847)</u>

d. Finance costs

	2020	2019
Interest on bank borrowings	\$ 22,679	\$ 21,393
Interest on short-term bills	4,065	3,229
Interest on lease liabilities	1,253	1,658
Interests on borrowings from related parties	-	1,809
	<u>\$ 27,997</u>	<u>\$ 28,089</u>

e. Depreciation and amortization

	2020	2019
Depreciation by functions		
Operating costs	\$ 99,505	\$ 94,120
Operating expenses	<u>39,545</u>	<u>64,858</u>
	<u>\$ 139,050</u>	<u>\$ 158,978</u>
Amortization of intangible assets by functions		
Operating costs	\$ 299	\$ 280
Operating expenses	<u>1,271</u>	<u>919</u>
	<u>\$ 1,570</u>	<u>\$ 1,199</u>

f. Employee benefit expense

	2020	2019
Post-employment benefits		
Defined contribution plans	\$ 12,353	\$ 12,192
Defined benefit plans (Note 22)	<u>101</u>	<u>154</u>
	<u>12,454</u>	<u>12,346</u>
Other employee benefits	<u>353,458</u>	<u>362,035</u>
Total employee benefit expense	<u>\$ 365,912</u>	<u>\$ 374,381</u>
By functions		
Operating costs	\$ 124,703	\$ 134,525
Operating expenses	<u>241,209</u>	<u>239,856</u>
	<u>\$ 365,912</u>	<u>\$ 374,381</u>

g. Compensation to employees and remuneration to directors and supervisors

According to the Company's Articles of Incorporation, the compensation to employees shall not be lower than one percent and the remuneration to directors and supervisors shall not be higher than five percent of the income before income tax, compensation to employees and remuneration to directors and supervisors. Compensation to employees and remuneration to directors and supervisors for the years ended December 31, 2020 and 2019 resolved in the Board of Directors meetings on March 30, 2021 and March 26, 2020, respectively, were as follows:

Accrual rate

	2020	2019
Compensation to employees	1.89%	2.00%
Remuneration to Directors and Supervisors	1.89%	2.00%

Amount

	Cash	
	2020	2019
Compensation to employees	<u>\$ 7,400</u>	<u>\$ 7,600</u>
Remuneration to Directors and Supervisors	<u>\$ 7,400</u>	<u>\$ 7,600</u>

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

The actual amounts of compensation to employees and the remuneration to directors and supervisors distributed for the years ended December 31, 2019 and 2018 were consistent with the amounts recognized in the consolidated financial statements for the same periods.

For information on the Company's compensation to employees and the remuneration to directors and supervisors as resolved in the Board of Directors' meeting in 2020 and 2019, please visit the "Market Observation Post System" of Taiwan Stock Exchange.

h. Foreign exchange (loss) gain

	2020	2019
Total foreign exchange gains	\$ 1,080	\$ 3,481
Total foreign exchange losses	(28,662)	(15,549)
Net losses	(\$ 27,582)	(\$ 12,068)

26. Income Tax

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

	2020	2019
Current income tax		
Incurred this year	\$ 34,452	\$ 886
Additional tax levied on the unappropriated earnings	2,463	416
Adjustments for previous years	<u>22,970</u>	<u>158</u>
	<u>59,885</u>	<u>1,460</u>
Deferred income tax		
Incurred this year	(28,421)	(2,488)
Income tax expenses (benefits) recognized in profit or loss	<u>\$ 31,464</u>	(<u>\$ 1,028</u>)

The reconciliation of accounting profit and income tax expense (benefit) is as follows:

	2020	2019
Income before income tax	<u>\$ 395,956</u>	<u>\$ 377,792</u>
Income tax expenses calculated at the statutory tax rate	\$ 276,608	\$ 68,938
Non-deductible expenses and losses	6,963	6
Tax-exempted income	(252,992)	(76,410)
Additional tax levied on the unappropriated earnings	2,463	416
Unrecognized deductible temporary difference	(25,425)	5,864
Adjustments for previous years	<u>23,847</u>	<u>158</u>
Income tax expenses (benefits) recognized in profit or loss	<u>\$ 31,464</u>	(<u>\$ 1,028</u>)

In July 2019, the President put into effect the amended Statute for Industrial Innovation, stipulating that from 2018 onwards, any unappropriated earnings, if taken for building or purchasing specific assets or technologies, can be listed as a deduction in the calculation of unappropriated earnings. The Group deducted only the amount of the unappropriated earnings that was reinvested as capital expenditure when calculating the tax on unappropriated earnings.

The tax rate applicable to subsidiaries in mainland China is 25%. Tax arising from other jurisdictions is calculated at the rates applicable in the respective jurisdictions.

b. Income tax recognized in other comprehensive income

	<u>2020</u>	<u>2019</u>
<u>Deferred income tax</u>		
Incurring this year		
- Translating the financial statements of foreign operations	(\$ 5)	(\$ 47)
- Share of other comprehensive income of associates accounted for using the equity method	(895)	(516)
	<u>(\$ 900)</u>	<u>(\$ 563)</u>

c. Current tax assets and liabilities

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Current tax assets		
Tax refunds receivable	<u>\$ 848</u>	<u>\$ 848</u>
Current tax liabilities		
Income tax payable	<u>\$ 28,980</u>	<u>\$ 502</u>

d. Deferred tax assets and liabilities

Changes in deferred tax assets and liabilities are as follows:

2020

	<u>Beginning balance</u>	<u>Recognized in profit or loss</u>	<u>Recognized in other comprehensive income</u>	<u>Ending balance</u>
<u>Deferred tax assets</u>				
Temporary differences				
Exchange differences on translating the financial statements of foreign operations	\$ 602	\$ -	\$ 900	\$ 1,502
Inventory write-down	-	29,525	-	29,525
Gains (losses) on foreign investments accounted for using the equity method	1,777	(1,777)	-	-
Difference on unrealized foreign exchange gain (loss)	2,563	2,735	-	5,298
Others	<u>6,474</u>	<u>-</u>	<u>-</u>	<u>6,474</u>
	<u>\$ 11,416</u>	<u>\$ 30,483</u>	<u>\$ 900</u>	<u>\$ 42,799</u>
<u>Deferred tax liabilities</u>				
Temporary differences				
Defined benefit plans	\$ 2,379	\$ 164	\$ -	\$ 2,543
Gains (losses) on foreign investments accounted for using the equity method	-	1,898	-	1,898
Land value increment tax	<u>761,431</u>	<u>-</u>	<u>-</u>	<u>761,431</u>
	<u>\$ 763,810</u>	<u>\$ 2,062</u>	<u>\$ -</u>	<u>\$ 765,872</u>

2019

	<u>Beginning balance</u>	<u>Recognized in profit or loss</u>	<u>Recognized in other comprehensive income</u>	<u>Ending balance</u>
<u>Deferred tax assets</u>				

Temporary differences				
Exchange differences on translating the financial statements of foreign operations	\$ 39	\$ -	\$ 563	\$ 602
Gains (losses) on foreign investments accounted for using the equity method	126	1,651	-	1,777
Difference on unrealized foreign exchange gain (loss)	1,571	992	-	2,563
Others	<u>6,474</u>	<u>-</u>	<u>-</u>	<u>6,474</u>
	<u>\$ 8,210</u>	<u>\$ 2,643</u>	<u>\$ 563</u>	<u>\$ 11,416</u>
<u>Deferred tax liabilities</u>				
Temporary differences				
Defined benefit plans	\$ 2,224	\$ 155	\$ -	\$ 2,379
Land value increment tax	<u>761,431</u>	<u>-</u>	<u>-</u>	<u>761,431</u>
	<u>\$ 763,655</u>	<u>\$ 155</u>	<u>\$ -</u>	<u>\$ 763,810</u>

Land revaluation of the Group's freehold land was carried out at the assessed present value in July 1981 and November 2000, respectively, and the provision for land value increment tax of NT\$761,431 thousand (under deferred tax liabilities) was recognized as of December 31, 2020 and 2019.

- e. Deductible temporary difference for which no deferred tax assets have been recognized in the consolidated balance sheets

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Deductible temporary difference		
Inventory write-down	\$ -	\$ 25,428
Impairment loss	<u>12,673</u>	<u>12,673</u>
	<u>\$ 12,673</u>	<u>\$ 38,101</u>

- f. Income tax assessment

The business income tax returns of the Company and the subsidiary, Shinkong Asset, through 2016 have been assessed by the tax authorities. The business income tax returns of the subsidiaries, Xin Fu Development and Hua Yang Motor, through 2019 have been assessed by the tax authorities. As SK is registered at Samoa, it does not have to file business income tax returns. Thus, the income tax assessment is not applicable. As Shanghai Xin Ying and Shanghai Yong Yi were subject to local regulations, they had accrued tax payable and income tax expense as of December 31, 2020.

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

27. Earnings per Share (EPS)

	2020	(NT\$ per Share) 2019
Basic EPS	<u>\$ 1.22</u>	<u>\$ 1.29</u>
Diluted EPS	<u>\$ 1.22</u>	<u>\$ 1.29</u>

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

Net income

	2020	2019
Net income for the calculation of basic EPS	<u>\$ 365,025</u>	<u>\$ 387,431</u>
Net income for the calculation of diluted EPS	<u>\$ 365,025</u>	<u>\$ 387,431</u>

Number of shares

	2020	(In Thousands of Shares) 2019
Weighted average number of common shares used for calculation of basic earnings per share	299,237	299,237
Effect of potentially dilutive common shares:		
Compensation to employees	<u>222</u>	<u>182</u>
Weighted average number of common shares used for calculation of diluted earnings per share	<u>299,459</u>	<u>299,419</u>

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

28. Government Grants

The Group received government grants of NT\$24,930 thousand from the Ministry of Economic Affairs due to COVID-19. The amount was recognized as a deduction to salaries, electricity and other expenses.

29. Equity Transactions with Non-controlling Interests

As the Group restructured its equity structure in January 1, 2019, the Company disposed 55% of its holdings in Hua Yang Motor to Shinkong Asset in January 2019.

The Group acquired interests in Hua Yang Motor on January 20, 2020 and the shareholding increased from 55% to 100%.

As the afore-mentioned transactions did not affect the Group's control over these subsidiaries, they were accounted for as equity transactions.

	January 20, 2020	January 1, 2019
Consideration (paid) received	(\$ 42,280)	\$ 160
Carrying amount of the subsidiary's net assets to be transferred out of (to) non-controlling interests based on changes in equity	<u>34,216</u>	(<u>160</u>)
Difference in equity transactions	(<u>\$ 8,064</u>)	<u>\$ -</u>
<u>Accounts adjusted for difference in equity transactions</u>		
Unappropriated earnings	(<u>\$ 8,064</u>)	<u>\$ -</u>

30. Cash Flow Information

a. Non-cash transactions

Besides disclosures in other notes, the Group engaged in the following non-cash investing activities for the years ended December 31, 2020 and 2019:

- 1) The Group reclassified prepayments for equipment of NT\$6,452 thousand and NT\$5,017 thousand to PP&E for the years ended December 31, 2020 and 2019, respectively (please refer to Note 14 for details);
- 2) The Group reclassified prepaid expenses of NT\$220 thousand to intangible assets for the year ended December 31, 2020 (please refer to Note 17 for details);
- 3) The Group reclassified construction in progress of NT\$212,515 thousand to investment properties for the year ended December 31, 2019 (please refer to Notes 14 and 16 for details);
- 4) The Group reclassified investment prepayments of NT\$7,705 thousand to financial assets at fair value through other comprehensive income - non-current for the year ended December 31, 2019.

b. Changes in liabilities from financing activities

2020

	January 1, 2020	Cash Flows	Non-cash Changes				Interest Paid	December 31, 2020
			Additional Leases	Interest Expenses	Remeasurement on Lease Modifications	Remeasurement on Termination		
Lease liabilities (Note 15)	\$152,071	(\$ 43,789)	\$ 5,278	\$ 1,253	\$ 595	(\$ 6,478)	(\$ 1,253)	\$107,677

2019

	January 1, 2019	Cash Flows	Non-cash Changes				Interest Paid	December 31, 2019
			Additional Leases	Interest Expenses	Remeasurement on Lease Modifications	Remeasurement on Termination		
Lease liabilities (Note 15)	\$121,856	(\$ 46,164)	\$136,052	\$ 1,658	(\$ 58,759)	(\$ 914)	(\$ 1,658)	\$152,071

31. Capital Risk Management

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

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

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

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

32. Financial Instruments

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

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

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

1) Fair value hierarchy

December 31, 2020

	Level 1	Level 2	Level 3	Total
<u>Measured at fair value through profit or loss</u>				
Domestic stocks listed on TWSE or TPEX or emerging stocks	\$ 35,846	\$ -	\$ -	\$ 35,846
Fund beneficiary certificates	<u>151,683</u>	<u>-</u>	<u>-</u>	<u>151,683</u>
Total	<u>\$ 187,529</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 187,529</u>
<u>Financial assets at fair value through other comprehensive income</u>				
Investments in equity instruments				
- Domestic stocks listed on TWSE or TPEX or emerging stocks	\$ 3,765,631	\$ -	\$ -	\$ 3,765,631
- Domestic stocks not listed on TWSE or TPEX	<u>-</u>	<u>-</u>	<u>1,739,119</u>	<u>1,739,119</u>
Total	<u>\$ 3,765,631</u>	<u>\$ -</u>	<u>\$ 1,739,119</u>	<u>\$ 5,504,750</u>

December 31, 2019

	Level 1	Level 2	Level 3	Total
<u>Measured at fair value through profit or loss</u>				
Domestic stocks listed on TWSE or TPEX or emerging stocks	\$ 32,474	\$ -	\$ -	\$ 32,474
Fund beneficiary certificates	<u>73,084</u>	<u>-</u>	<u>-</u>	<u>73,084</u>
Total	<u>\$ 105,558</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 105,558</u>
<u>Financial assets at fair value through other comprehensive income</u>				
Investments in equity instruments				
- Domestic stocks listed on TWSE or TPEX or emerging stocks	\$ 3,485,911	\$ -	\$ -	\$ 3,485,911
- Domestic stocks not listed on TWSE or TPEX	<u>-</u>	<u>-</u>	<u>1,632,262</u>	<u>1,632,262</u>
Total	<u>\$ 3,485,911</u>	<u>\$ -</u>	<u>\$ 1,632,262</u>	<u>\$ 5,118,173</u>

There was no transfer between Level 1 and Level 2 fair value measurements in 2020 and 2019.

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

2020

Financial assets	Financial assets at fair value through other comprehensive income
Financial assets	Equity instruments
Beginning balance	\$ 1,632,262
Recognized in other comprehensive income (unrealized gains (losses) on financial assets at fair value through other comprehensive income)	135,114
Proceeds from capital reduction	(28,257)
Ending balance	<u>\$ 1,739,119</u>

2019

Financial assets	Financial assets at fair value through other comprehensive income
Financial assets	Equity instruments
Beginning balance	\$ 1,709,335
Recognized in other comprehensive income (unrealized gains (losses) on financial assets at fair value through other comprehensive income)	(63,007)
Proceeds from capital reduction	(14,066)
Ending balance	<u>\$ 1,632,262</u>

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

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

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

c. Category of financial instruments

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
<u>Financial assets</u>		
Measured at fair value through profit or loss		
Mandatorily measured at fair value through profit	\$ 151,683	\$ 73,084
Designated as at fair value through profit or loss	35,846	32,474
Financial assets at amortized cost (Note 1)	951,559	771,492
Financial assets at fair value through other comprehensive income		
Investments in equity instruments	5,504,750	5,118,173
<u>Financial liabilities</u>		
Measured at amortized cost (Note 2)	3,536,526	3,222,888

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

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

d. Financial risk management objectives and policies

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

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

1) Market risk

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

a) Foreign exchange risk

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

For the carrying amount of the Group's monetary assets and liabilities denominated in currencies other than the functional currency on the balance sheet date, please refer to Note 37.

Sensitivity analysis

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

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

(In Thousands of New Taiwan Dollars)
Impact of USD

	2020	2019
Profit or loss	\$5,111(i)	\$4,190(i)

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

The increase in the sensitivity to exchange rate in 2020 was mainly due to an increase in sales denominated in U.S. dollars which resulted in an increased balance of accounts receivables denominated in U.S. dollars.

b) Interest rate risk

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

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

	December 31, 2020	December 31, 2019
Fair value interest rate risk		
Financial assets	\$ 1,800	\$ 4,050
Financial liabilities	107,677	152,071
Cash flow interest rate risk		
Financial assets	594,798	535,465
Financial liabilities	3,142,187	2,835,770

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

Sensitivity analysis

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

If the interest rate increases/decreases by 1%, the Group's net income would increase/decrease by NT\$20,379 thousand and NT\$18,402 thousand for the years ended December 31, 2020, and 2019, respectively. This is mainly due to the Group's interest rate exposure from borrowings at floating interest rates.

The increase in the sensitivity to interest rate in 2020 was mainly due to an increase in borrowings at floating interest rates.

c) Other price risk

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

Sensitivity analysis

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

For the years ended December 31, 2020 and 2019, if the equity price increases/decreases by 1%, the profit or loss after tax would increase/decrease by NT\$358 thousand and NT\$324 thousand, respectively, due to the increase/decrease in fair value of financial assets at fair value through profit or loss and the other comprehensive income after tax would increase/decrease by NT\$55,048 thousand and NT\$51,181 thousand, respectively, due to the increase/decrease in the fair value of financial assets at fair value through other comprehensive income.

2) Credit risk

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

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

3) Liquidity risk

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

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

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

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

December 31, 2020

	Effective Interest Rate (%)	Less than 1 Month	1 ~ 3 Months	3 Months ~ 1 Year	1 ~ 5 Years	Over 5 Years
<u>Current liabilities</u>						
Lease liabilities	0.758~1.01	\$ 3,763	\$ 7,527	\$ 32,624	\$ 63,558	\$ 1,906
Short-term borrowings	0.93~1.586	-	2,003,500	-	-	-
Long-term and short-term borrowings	0.97	-	-	190,000	-	-
Short-term bills payable	0.25~0.81	289,836	658,851	-	-	-
		<u>\$ 293,599</u>	<u>\$ 2,669,878</u>	<u>\$ 222,624</u>	<u>\$ 63,558</u>	<u>\$ 1,906</u>

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

	Less than 1 Year	1 ~ 5 Years	5 ~ 10 Years	10 ~ 15 Years	15~20 years	20 Years and Above
Lease liabilities	<u>\$ 43,914</u>	<u>\$ 63,558</u>	<u>\$ 1,906</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

December 31, 2019

	Effective Interest Rate (%)	Less than 1 Month	1 ~ 3 Months	3 Months ~ 1 Year	1 ~ 5 Years	Over 5 Years
<u>Current liabilities</u>						
Lease liabilities	1~1.01	\$ 4,159	\$ 8,318	\$ 36,775	\$ 103,826	\$ 1,891
Short-term borrowings	0.98~1.586	-	2,006,500	-	-	-
Long-term borrowings	1.2	-	-	-	190,000	-
Short-term bills payable	0.55~0.80	139,926	499,344	-	-	-
		<u>\$ 144,085</u>	<u>\$ 2,514,162</u>	<u>\$ 36,775</u>	<u>\$ 293,826</u>	<u>\$ 1,891</u>

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

	Less than 1 Year	1 ~ 5 Years	5 ~ 10 Years	10 ~ 15 Years	15~20 years	20 Years and Above
Lease liabilities	<u>\$ 49,252</u>	<u>\$ 103,826</u>	<u>\$ 1,891</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

b) Line of credit

	December 31, 2020	December 31, 2019
Credit facilities		
- Amount used	\$ 2,223,500	\$ 2,196,500
- Unused amount	<u>3,406,500</u>	<u>3,233,500</u>
	<u>\$ 5,630,000</u>	<u>\$ 5,430,000</u>
Credit from commercial papers		
- Amount used	\$ 950,000	\$ 640,000
- Unused amount	<u>250,000</u>	<u>360,000</u>
	<u>\$ 1,200,000</u>	<u>\$ 1,000,000</u>

33. Related Party Transactions

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

a. Names and relations of related parties

Name of Related Party	Relationship with the Group
Shang De Motor Co., Ltd.	Associate
Lian Quan Investment Co., Ltd.	Associate
WPI-HIGH STREET, LLC	Associate

Name of Related Party	Relationship with the Group
Chyang Sheng Dyeing & Finishing Co., Ltd.	Related party in substance
Shin Kong Life Insurance Co., Ltd.	Related party in substance
Taishin International Bank Co., Ltd.	Related party in substance
Shin Kong Wu Ho-Su Memorial Hospital	Related party in substance
Shin Kong Investment Trust Co., Ltd.	Related party in substance
Shin Kong Bank Co., Ltd.	Related party in substance
The Great Taipei Gas Corporation	Related party in substance
UBright Optronics Corp.	Related party in substance
Taishin D.A. Finance Co., Ltd.	Related party in substance
Taiwan Security Co., Ltd.	Related party in substance
Taiwan Shin Kong Security Co., Ltd.	Related party in substance
Waibel Enterprise Inc.	Related party in substance
Shinkong Mitsukoshi Department Store Co., Ltd.	Related party in substance
Shinkong Synthetic Fibers Corporation	Related party in substance
Shinkong Insurance Co., Ltd.	Related party in substance
Shinkong Materials Technology Co., Ltd.	Related party in substance
Shin-Kong Life Real Estate Service Co., Ltd.	Related party in substance
Cheng Cheng Co., Ltd.	Related party in substance
Cheng Qian Co., Ltd.	Related party in substance
ShinKong Co., Ltd.	Related party in substance
Yi Guang Security Co., Ltd.	Related party in substance
Yi Guang International Apartments Maintenance and Management Co., Ltd.	Related party in substance
Shin Kong Recreation Co., Ltd.	Related party in substance
Pan Asian Plastics Corp.	Related party in substance
Taipei Star Bank Co., Ltd.	Related party in substance
Taishin Financial Holding Co., Ltd.	Related party in substance
Shin Kong Education Foundation	Related party in substance

b. Operating transactions

Financial Statement Account	Type/Name of Related Party	2020	2019
Sales revenue	Shinkong Mitsukoshi Department Store Co., Ltd.	\$ 212,418	\$ 160,257
	Related party in substance	<u>20,239</u>	<u>21,039</u>
		<u>\$ 232,657</u>	<u>\$ 181,296</u>
Rental revenue	Yi Guang International Apartments Maintenance and Management Co., Ltd.	\$ 50,538	\$ 52,903
	Shin Kong Wu Ho-Su Memorial Hospital	39,094	39,094
	Taishin International Bank Co., Ltd.	26,469	26,469
	UBright Optronics Corp.	20,068	19,478
	Related party in substance	<u>10,368</u>	<u>9,936</u>
		<u>\$ 146,537</u>	<u>\$ 147,880</u>

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

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

c. Purchases

Financial Statement Account	Type/Name of Related Party	2020	2019
Purchases	Related party in substance	<u>\$ 33,486</u>	<u>\$ 23,767</u>

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

d. Contract liabilities

Type of Related Party	December 31, 2020	December 31, 2019
Related party in substance	<u>\$ 9,740</u>	<u>\$ 4,843</u>

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

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

Financial Statement Account	Type of Related Party	December 31, 2020	December 31, 2019
Notes receivable	Related party in substance	<u>\$ 8</u>	<u>\$ 6</u>
Accounts receivable	Shinkong Mitsukoshi	\$ 35,522	\$ 25,154
	Department Store Co., Ltd.		
	Related party in substance	<u>1,681</u>	<u>2,701</u>
		<u>\$ 37,203</u>	<u>\$ 27,855</u>
Other receivables	Related party in substance	<u>\$ 1</u>	<u>\$ 1</u>

No guarantee is required for the outstanding amount of receivables from related parties. No loss allowances were set aside for receivables from related parties for the years ended December 31, 2020 and 2019.

f. Payables to related parties (excluding borrowings from related parties)

Financial Statement Account	Type of Related Party	December 31, 2020	December 31, 2019
Notes payable	Related party in substance	<u>\$ 12,229</u>	<u>\$ 2,803</u>
Accounts payable	Related party in substance	<u>\$ 529</u>	<u>\$ 1,074</u>
Other payables	Chyang Sheng Dyeing & Finishing Co., Ltd.	\$ -	\$ 7,406
	Related party in substance	<u>1,231</u>	<u>976</u>
		<u>\$ 1,231</u>	<u>\$ 8,382</u>

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

g. Prepayments

Type of Related Party	December 31, 2020	December 31, 2019
Related party in substance	<u>\$ 225</u>	<u>\$ 2,542</u>

h. Lease agreements - the Group as a lessee

Financial Statement Account	Type of Related Party	December 31, 2020	December 31, 2019
Lease liabilities	Chyang Sheng Dyeing & Finishing Co., Ltd.	\$ 19,770	\$ 33,631
Lease liabilities	Shin Kong Life Insurance Co., Ltd.	<u>46,552</u>	<u>55,851</u>
		<u>\$ 66,322</u>	<u>\$ 89,482</u>

Type/Name of Related Party	2020	2019
<u>Interest Expenses</u>		
Chyang Sheng Dyeing & Finishing Co., Ltd.	\$ 265	\$ 385
Shin Kong Life Insurance Co., Ltd.	<u>499</u>	<u>536</u>
	<u>\$ 764</u>	<u>\$ 921</u>

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

- i. Lease agreements - the Group as a lessor

Operating lease

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

Type/Name of Related Party	December 31, 2020	December 31, 2019
Shin Kong Wu Ho-Su Memorial Hospital	\$117,281	\$156,374
UBright Optronics Corp.	55,742	77,461
Taishin International Bank Co., Ltd.	99,711	30,677
Related party in substance	<u>34,198</u>	<u>11,082</u>
	<u>\$306,932</u>	<u>\$275,594</u>

Please refer to Note 33(2) Operating Revenue for information on rental revenue.

- j. Acquisition of intangible assets

(In Thousands of Shares)

2020

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

2019

<u>Name of Related Party</u>	<u>Financial Statement Account</u>	<u>No. of Unit</u>	<u>Underlying Securities</u>	<u>Price</u>
Taishin Financial Holding Co., Ltd.	Financial assets at fair value through other comprehensive income - non-current	137	Taishin Financial Holding Co., Ltd. - preferred stocks E	\$ 6,831
Chyang Sheng Dyeing & Finishing Co., Ltd.	Financial assets at fair value through other comprehensive income - current	6,324	Chyang Sheng Dyeing & Finishing Co., Ltd. - common stocks	95,244
Shin Kong Investment Trust Co., Ltd.	Financial assets at fair value through profit or loss - current	503	Shin Kong Global Preferred Stock Income Fund	<u>5,000</u>
				<u>\$ 107,075</u>

k. Disposal of financial assets

(In Thousands of Shares)

2020

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

2019

<u>Name of Related Party</u>	<u>Financial Statement Account</u>	<u>No. of Unit</u>	<u>Underlying Securities</u>	<u>Proceeds from Disposal</u>	<u>Gains (Losses) on Disposal</u>
Shin Kong Investment Trust Co., Ltd.	Financial assets at fair value through profit or loss - current	503	Shin Kong Global Preferred Stock Income Fund	<u>\$ 5091</u>	<u>\$ 91</u>

l. Loans to related parties

Interest income

<u>Type/Name of Related Party</u>	<u>2020</u>	<u>2019</u>
Shang De Motor Co., Ltd.	<u>\$ -</u>	<u>\$ 332</u>

Short-term loans provided by the Group are unsecured loans with interest rates similar to the market rates.

m. Borrowings from related parties

Interest Expenses

<u>Type/Name of Related Party</u>	<u>2020</u>	<u>2019</u>
Ji Zhen Co., Ltd.	<u>\$ -</u>	<u>\$ 1,809</u>

Borrowings from related parties are unsecured borrowings with interest rates similar to the market rates.

n. Endorsements and guarantees

Endorsements and guarantees provided

<u>Type/Name of Related Party</u>	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Shang De Motor Co., Ltd.		
Guarantee Amount	<u>\$240,000</u>	<u>\$240,000</u>
Amount Actually Drawn	<u>\$ 72,360</u>	<u>\$ 77,000</u>

o. Others

<u>Financial Statement Account</u>	<u>Type of Related Party</u>	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Cash and cash equivalent	Shin Kong Bank Co., Ltd.	\$ 145,110	\$ 107,929
	Related party in substance	<u>13,123</u>	<u>27,487</u>
		<u>\$ 158,233</u>	<u>\$ 135,416</u>
Refundable deposits	Chyang Sheng Dyeing & Finishing Co., Ltd.	\$ 3,202	\$ 2,941
	Shin Kong Life Insurance Co., Ltd.	3,456	3,456
	Related party in substance	<u>222</u>	<u>222</u>
		<u>\$ 6,880</u>	<u>\$ 6,619</u>
Guarantee deposits received	Shin Kong Wu Ho-Su Memorial Hospital	\$ 36,768	\$ 36,768
	Related party in substance	<u>12,448</u>	<u>12,368</u>
		<u>\$ 49,216</u>	<u>\$ 49,136</u>
Financial assets at amortized cost	Shin Kong Bank Co., Ltd.	<u>\$ 1,800</u>	<u>\$ 4,050</u>
Non-operating income	Chyang Sheng Dyeing & Finishing Co., Ltd.	\$ 345	\$ 832
	The Great Taipei Gas Corporation	-	1,442
	Shin Kong Life Insurance Co., Ltd.	35	529
	Related party in substance	<u>163</u>	<u>612</u>
		<u>\$ 543</u>	<u>\$ 3,415</u>
Non-operating expenses	Related party in substance	<u>\$ 15</u>	<u>\$ 14</u>

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

Name of Related Party	Details	December 31, 2020	December 31, 2019
Shin Kong Bank Co., Ltd.	Shares of Shinkong Insurance Co., Ltd.	10,000 thousand shares	10,000 thousand shares
Taishin International Bank Co., Ltd.	Shares of Shinkong Insurance Co., Ltd.	10,000 thousand shares	-

p. Remuneration to key management

	2020	2019
Short-term employee benefits	\$ 22,536	\$ 22,264
Post-employment benefits	513	502
	<u>\$ 23,049</u>	<u>\$ 22,766</u>

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

34. Pledged Assets

The following assets have been provided as collateral for borrowings:

	December 31, 2020	December 31, 2019
Financial assets at fair value through other comprehensive income - non-current	\$ 1,793,800	\$ 1,400,267
Investment properties	2,474,433	2,501,868
Pledged time deposits (recognized as financial assets at amortized cost)	1,800	4,050
	<u>\$ 4,270,033</u>	<u>\$ 3,906,185</u>

35. Significant Contingent Liabilities and Unrecognized Contract Commitments

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

Significant commitments

- As of December 31, 2020 and 2019, the guaranteed notes submitted by the Group for import credits and other businesses amounted to NT\$8,818 thousand and NT\$8,518 thousand, respectively.
- For the construction of office buildings, the Group signed the architectural layout and design as well as the supervision contracts of NT\$12,897 thousand and NT\$66,710 thousand, respectively. As of December 31, 2020, NT\$41,843 thousand were paid for architectural design and supervision.

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

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

December 31, 2020

	<u>Foreign Currency</u>	<u>Exchange Rate</u>	<u>Carrying amount</u>
<u>Assets denominated in foreign currency</u>			
<u>Monetary items</u>			
USD	\$ 22,431	28.48	\$ 638,846
Euro	27	35.02	948
<u>Liabilities denominated in foreign currency</u>			
<u>Monetary items</u>			
Euro	49	35.02	1,723

December 31, 2019

	<u>Foreign Currency</u>	<u>Exchange Rate</u>	<u>Carrying amount</u>
<u>Assets denominated in foreign currency</u>			
<u>Monetary items</u>			
USD	\$ 17,506	29.98	\$ 524,821
Euro	533	33.59	17,887
AUD	15	21.005	324
<u>Liabilities denominated in foreign currency</u>			
<u>Monetary items</u>			
USD	34	29.98	1,020
Euro	108	33.59	3,630

The Group's (realized and unrealized) foreign exchange gains and losses for the years ended December 31, 2020 and 2019 amounted to NT\$27,582 thousand and NT\$12,068 thousand, respectively. Since the Group transacts in a number of foreign currencies, foreign exchange gain (loss) cannot be disclosed by foreign currencies with significant impact.

37. Additional Disclosures

a. Information on Significant Transactions:

- 1) Financing provided to others. (Table 1)
- 2) Endorsement/guarantee provided to others. (Table 2)
- 3) Marketable securities held as of December 31, 2020 (excluding investments in subsidiaries, associates and joint controls). (Table 3)
- 4) Individual securities acquired or disposed of with accumulated amount of at least NT\$300 million or 20 percent of the paid-in capital for the year ended December 31, 2020. (None)
- 5) Acquisition of individual real estate with amount of at least NT\$300 million or 20 percent of the paid-in capital for the year ended December 31, 2020. (None)
- 6) Disposal of individual real estate with amount of at least NT\$300 million or 20 percent of the paid-in capital for the year ended December 31, 2020. (None)
- 7) Related party transactions with purchase or sales amount of at least NT\$100 million or 20 percent of the paid-in capital for the year ended December 31, 2020. (Table 4)
- 8) Receivables from related parties of at least NT\$100 million or 20 percent of the paid-in

- capital as of December 31, 2020. (None)
- 9) Derivative financial instrument transactions. (None)
- 10) Others: Intercompany relationships and significant intercompany transactions. (Table 5)
- b. Information on Investees (Table 6)
- c. Information on Investments in Mainland China:
- 1) For investees in mainland China, please show the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in mainland China. (Table 7)
 - 2) Any of the following significant transactions with investees in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses: (None)
 - a) Purchase amount and percentage, and the closing balance and percentage of the related payables.
 - b) Sales amount and percentage, and the closing balance and percentage of the related receivables.
 - c) Property transaction amount and the resulting gain or loss.
 - d) Ending balances and purposes of endorsements/guarantees or collateral provided.
 - e) The maximum balance, ending balance, interest rate range and total amount of interest of financing for the current year.
 - f) Other transactions having a significant influence on profit or loss or financial status of the current year, such as providing or receiving services.
- d. Information on major shareholders: Name of shareholders with a shareholding ratio of 5% or more, the number, and proportion of shares held: (Table 8)

38. Segment Information

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

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

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

Real Estate Department (land development and real estate leasing)

a. Department revenue and operation performance

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

	2020			Total
	Marketing Department	Retail Department	Real Estate Department	
Revenue from external customers	\$1,159,247	\$ 634,583	\$ 355,383	\$2,149,213
Intersegment revenue	-	2,742	35,339	38,081
Segment revenue	<u>\$1,159,247</u>	<u>\$ 637,325</u>	<u>\$ 390,722</u>	2,187,294
Internal elimination				(38,081)
Consolidated revenue				<u>\$2,149,213</u>
Segment profit or loss	(\$ 21,471)	(\$ 6,592)	\$ 191,510	\$ 163,447
Other income				247,272
Other gains and losses				(36,442)
Finance costs				(27,997)
Share of profit (loss) of associates and joint ventures accounted for using the equity method				<u>49,676</u>
Income before income tax				<u>\$ 395,956</u>

	2019			Total
	Marketing Department	Retail Department	Real Estate Department	
Revenue from external customers	\$1,205,222	\$ 533,480	\$ 344,879	\$2,083,581
Intersegment revenue	-	4,949	33,177	38,126
Segment revenue	<u>\$1,205,222</u>	<u>\$ 538,429</u>	<u>\$ 378,056</u>	2,121,707
Internal elimination				(38,126)
Consolidated revenue				<u>\$2,083,581</u>
Segment profit or loss	<u>\$ 1,597</u>	(\$ 79,174)	<u>\$ 190,986</u>	\$ 113,409
Other income				300,802
Other gains and losses				(11,847)
Finance costs				(28,089)
Share of profit (loss) of associates and joint ventures accounted for using the equity method				<u>3,517</u>
Income before income tax				<u>\$ 377,792</u>

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

b. Information about major customers

Within the sales revenue of NT\$1,792,301 thousand and NT\$1,737,137 thousand for the years ended December 31, 2020 and 2019, NT\$212,418 thousand and NT\$160,257 thousand, respectively, came from the largest customer of the Group. No other single customer accounted for 10% or more of the Group's consolidated revenue for the years ended December 31, 2020 and 2019.

TABLE 1

Shinkong Textile Co., Ltd. and Subsidiaries
Financing provided to others
For the year ended December 31, 2020

(In Thousands of New Taiwan Dollars)

No.	Financing Company	Counterparty	Financial Statement Account	Whether A Related Party	Maximum Balance for the Period	Ending Balance	Amount Actually Drawn	Interest Rate	Nature of Financing	Transaction Amount	Reason for Short-term Financing	Loss Allowance	Collateral		Financing Limit for Individual Borrower	Limit on Total Financing Amount	Note
													Item	Value			
1	Shinkong Asset Management Co., Ltd.	Hua Yang Motor Co., Ltd.	Receivables from related parties	Yes	\$ 30,000	\$ 30,000	\$ 30,000	1%	Necessity of short-term financing	\$ -	Operating capital	\$ -		\$ -	\$ 663,667	\$ 6,361,155	Note 2

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

(1) For the issuer, fill in 0.

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

Note 2: Financing provided to Shinkong Asset Management Co., Ltd.:

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

Maximum amount of financing to companies or firms requiring short-term financing: NT\$9,087,364 x70%=NT\$6,361,155

Maximum amount of financing to a single counterparty: NT\$9,087,364 x20%=NT\$1,817,473; NT\$1,659,168 x40%=NT\$663,667

Shinkong Textile Co., Ltd. and Subsidiaries

Endorsements and guarantees provided
For the year ended December 31, 2020
(In Thousands of New Taiwan Dollars)

No.	Endorser/Guarantor	Endorsee/Guarantee		Limits on Endorsement / Guarantee Amount Provided to A Single Entity (Note 3)	Maximum Endorsement / Guarantee Balance for the Period	Ending Balance	Amount Actually Drawn	Amount of Endorsement / Guarantee Collateralized by Property	Ratio of Accumulated Endorsement / Guarantee to Net Worth per Latest Financial Statements (%)	Maximum Endorsement / Guarantee Amount Allowed (Note 3)	Endorsement / Guarantee Provided by Parent for Subsidiary	Endorsement / Guarantee Provided by Subsidiary for Parent	Endorsement / Guarantee Provided for Subsidiary in Mainland China	Note
		Name of Company	Relationship											
0	Shinkong Textile Co., Ltd.	Shang De Motor Co., Ltd.	6	\$ 1,817,473	\$ 240,000	\$ 72,360	\$ 72,360	\$ -	0.8%	\$ 4,543,682	N	N	N	Note 3
1	Shinkong Asset Management Co., Ltd.	Shinkong Textile Co., Ltd.	3	9,087,364	2,060,000	2,060,000	2,060,000	2,060,000	23%	9,087,364	N	Y	N	Note 3

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

- (1) For the issuer, fill in 0.
- (2) Investees are numbered sequentially starting from 1 according to the company type.

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

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

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

- (1) The Company and subsidiaries' aggregate amount of endorsement/guarantee for external entities shall not exceed 50% of the Company's net worth. The maximum endorsement/guarantee for a single entity shall not exceed 20% of the Company's net worth.
- (2) According to the rules above, the maximum amount of aggregate endorsement/guarantee provided by the Group and subsidiaries was the net worth of NT\$9,087,364×50%=NT\$4,543,682 and the maximum endorsement/guarantee for a single entity was the net worth of NT\$9,087,364×20%=NT\$1,817,473 for the year ended December 31, 2020.

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

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

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

Shinkong Textile Co., Ltd. and Subsidiaries

Marketable securities held as of December 31, 2020
December 31, 2020
(In Thousands of Shares / New Taiwan Dollars)

Securities Holding Company	Type and Name of Securities (Note 1)	Relationship with Issuer of Securities (Note 2)	Financial Statement Account	Ending Balance				Note (Note 3)
				Number of Shares (in thousands)	Carrying amount	Shareholding (%)	Fair value	
Shinkong Textile Co., Ltd.	Beneficiary certificates Grandway Multi-Strategy Fund	None	Financial assets at fair value through profit or loss - current	63	\$ 52,977	-	\$ 52,977	
	Shin Kong Chi-Shin Money-market Fund	None	"	5,126	80,002	-	80,002	
	Yuanta/P-shares Taiwan Top 50 ETF			153	18,704	-	18,704	
	Stocks - listed on TWSE or TPEX Asia Pacific Telecom Co., Ltd.	None	"	524	5,296	0.01	5,296	
	TacBright Optronics Corporation	(6)	"	5,000	30,550	1.08	30,550	
					<u>\$ 187,529</u>		<u>\$ 187,529</u>	
Shinkong Textile Co., Ltd.	Stocks - listed on TWSE or TPEX Chyang Sheng Dyeing & Finishing Co., Ltd.	(3)	Financial assets at fair value through other comprehensive income - current	22,581	\$ 309,354	13.03	\$ 309,354	
	Shinkong Synthetic Fibers Corporation	(4)	"	56,104	799,486	3.47	799,486	
	SinoPac Holdings Co., Ltd.	None	"	3	39	-	39	
	Taishin Financial Holding Co., Ltd.	(6)	"	6,836	90,574	0.06	90,574	
	Shin Kong Financial Holding	(6)	"	4,609	40,604	0.04	40,604	
	Chyang Sheng Dyeing & Finishing Co., Ltd.	Shinkong Assets is the company's corporate director		413	5,661	0.24	5,661	
					<u>\$ 1,245,718</u>		<u>\$ 1,245,718</u>	
Shinkong Textile Co., Ltd.	Stocks - listed on TWSE or TPEX Xintec Inc.	None	Financial assets at fair value through other comprehensive income - non-current	141	\$ 25,873	0.05	\$ 25,873	
	O-Bank Co., Ltd.	None	"	10,385	71,966	0.34	71,966	
	The Great Taipei Gas Corporation	(6)	"	10,738	368,314	2.08	368,314	
	Taishin Financial Holding Co., Ltd. - preferred stocks E	(6)	"	228	11,997	0.03	11,997	

(Continued on the next page)

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Securities Holding Company	Type and Name of Securities (Note 1)	Relationship with Issuer of Securities (Note 2)	Financial Statement Account	Ending Balance				Note (Note 3)
				Number of Shares (in thousands)	Carrying amount	Shareholding (%)	Fair value	
	Shinkong Insurance Co., Ltd.	(1)	"	51,540	\$ 1,992,003	16.31	\$ 1,992,003	10,000 thousand shares were collateralized to Shin Kong Bank and Taishin International Bank separately with a market value of NT\$773,000 thousand
	Taishin Financial Holding Co., Ltd. - Preferred stocks E (second time) Unlisted companies	(6)	"	137	7,023	0.05	7,023	
	Tong Hsin Water Business Inc.	(1)	Financial assets at fair value through other comprehensive income - non-current	2,478	28,454	9.83	28,454	
	Taian Insurance Co., Ltd.	None	"	2,049	46,032	0.69	46,032	
	Shin Kong Chao Feng Co., Ltd.	(5)	"	200	33,229	2.22	33,229	
	Shinkong Mitsukoshi Department Store Co., Ltd.	(4)	"	41,275	1,316,687	3.31	1,316,687	32,000 thousand shares were collateralized to ChinaTrust Commercial Bank with a market value of NT\$1,020,800 thousand
	Shin Kong Recreation Co., Ltd.	(2)	"	650	202,830	3.32	202,830	
	Eastern International Ad.	None	"	-	316	0.90	316	
	Li Yu Venture Capital Co., Ltd.	None	"	209	1,534	1.79	1,534	
	Taiwan Zeniya Interior Design Co., Ltd.	None	"	-	14,827	8.00	14,827	
	Global Securities Finance Corp.	None	"	98	979	0.53	979	
	WK Technology Fund IV	None	"	301	1,905	0.71	1,905	
	WK Technology Fund	None	"	435	5,454	2.18	5,454	
	IRSO Precision Co., Ltd.	None	"	1,000	5,857	4.93	5,857	
	KHL IB Venture Capital	None	"	3,011	81,015	2.98	81,015	
Shinkong Asset Management Co., Ltd.	Stocks - listed on TWSE or TPEx							
	Taishin Financial Holding Co., Ltd.	(6)	Financial assets at fair value through other comprehensive income - non-current	854	11,580	0.01	11,580	
	Taishin Financial Holding Co., Ltd. - preferred stocks E	(6)	"	29	1,534	-	1,534	
	Taiwan Shin Kong Security Co., Ltd.	(6)	"	770	28,725	0.20	28,725	
	Shinkong Textile Co., Ltd.	Parent company	"	804	34,002	0.27	34,002	
	Taishin Financial Holding Co., Ltd. - Preferred stocks E (second time)	(6)	"	17	898	-	898	
	Less: Shares of the parent company held by subsidiary				(34,002)		(34,002)	
					\$ 4,259,032		\$ 4,259,032	

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

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

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

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

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

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

(6) Other related parties.

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

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

Shinkong Textile Co., Ltd. and Subsidiaries

Related party transactions with purchase or sales amount of at least NT\$100 million or 20 percent of the paid-in capital
For the year ended December 31, 2020
(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Relationship	Transaction Details				Abnormal Transactions (Note 1)		Notes and Accounts Receivable (Payable)		Note (Note 2)
			Purchases (Sales)	Amount	Percentage of Total Purchases (Sales) (%)	Credit Period	Unit price	Credit Period	Ending Balance	Percentage of Total Notes and Accounts Receivable (Payable) (%)	
Shinkong Mitsukoshi Department Store Co., Ltd.	Shinkong Textile Co., Ltd.	Related party in substance	Sales	\$ 212,418	10.92%	No material difference from general customers	-	-	\$ 35,522	10.84%	

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

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

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

Shinkong Textile Co., Ltd. and Subsidiaries

Intercompany relationships and significant intercompany transactions
For the year ended December 31, 2020
(In Thousands of New Taiwan Dollars)

No. (Note 1)	Company Name	Counterparty	Relationship (Note 2)	Intercompany Transactions			
				Financial Statements Account	Amount	Transaction Term	Percentage of Consolidated Revenue or Total Assets (%) (Note 3)
1	Shinkong Asset Management Co., Ltd.	Hua Yang Motor Co., Ltd.	Subsidiary to second-tier subsidiary	Investments accounted for using equity method	\$253,977	-	1.87% of the consolidated total assets

Note 1: Intercompany transactions shall be specified in the No. column. The numbers to be filled are described as follows:

- (1) For the parent company, fill in 0.
- (2) Subsidiaries are numbered sequentially starting from 1.

Note 2: The relationships with related parties are categorized into the following three types. Please specify the type. (The same transactions between the parent company and its subsidiary or between subsidiaries do not have to be disclosed twice.) (For example, for transactions between the parent company and its subsidiaries, if the parent company discloses the information, the subsidiaries are exempted from doing so. The same applies to transactions between subsidiaries where only one subsidiary needs to disclose the same transaction):

- (1) The parent company to subsidiaries.
- (2) Subsidiaries to the parent company.
- (3) Between subsidiaries.

Note 3: Regarding the percentage of transaction amount to consolidated revenue or total assets, it is calculated based on the ending balance to the consolidated total assets for balance sheet items; and based on the interim accumulated amount to the consolidated net revenue for profit or loss items.

Shinkong Textile Co., Ltd. and Subsidiaries

Names, locations, and other information of investees
For the year ended December 31, 2020
(In Thousands of Shares / New Taiwan Dollars)

Investor	Investee	Location	Principal Business Activities	Initial Investment Amount		Ending Balance			Income (Loss) of the Investee	Investment Gain (Loss)	Note
				Ending Balance	End of Last Year	Number of shares	%	Carrying amount			
Shinkong Textile Co., Ltd.	Shinkong Asset Management Co., Ltd.	11F., No. 123, Sec. 2, Nanjing E. Rd., Zhongshan Dist., Taipei City 104475, Taiwan (R.O.C.)	Reinvestment in a wide range of businesses, including manufacturing, banking, insurance, recreation, securities, trading, general merchandises, cultural undertakings and the construction of commercial buildings and public housing units.	\$ 664,719	\$ 664,719	25,490	100.00	\$ 1,625,166	\$ 73,375	\$ 72,571	Note 1, Subsidiary
"	Lian Quan Investment Co., Ltd.	12F., No. 123, Sec. 2, Nanjing E. Rd., Zhongshan Dist., Taipei City 104475, Taiwan (R.O.C.)	Reinvestment in a wide range of businesses, including manufacturing, banking, insurance, recreation, securities, trading, general merchandises, cultural undertakings and the construction of commercial buildings and public housing units.	83,133	83,133	11,192	48.89	364,139	18,453	9,022	
"	SK INNOVATION CO., LTD.	Portcullis Trust Net Chambzs, P.O. Box1225, Apia, Samoa	Investment	21,424	21,424	700	100.00	11,402	(4,407)	(4,407)	Subsidiary
"	Shang De Motor Co., Ltd.	No. 518, Zhongzheng Rd., Xinzhuang Dist., New Taipei City 242048, Taiwan (R.O.C.)	Trading and maintenance of motor vehicles and trading of auto parts	269,699	269,699	9,715	33.50	264,006	53,336	17,868	
"	WPI-High Street LLC	5190 Campus Dr., Newport Beach, CA 92660	Investment	85,624	46,613	-	35.71	67,541	63,809	22,786	
Shinkong Asset Management Co., Ltd.	Xin Fu Development Co., Ltd.	11F., No. 123, Sec. 2, Nanjing E. Rd., Zhongshan Dist., Taipei City 104475, Taiwan (R.O.C.)	Development and rental of housing, building and industrial factory, and development of specific areas	764,862	764,862	20,000	100.00	769,721	3,452	3,468	Second-tier subsidiary
"	Hua Yang Motor Co., Ltd.	No. 9-1, Ln. 366, Sec. 2, Zhongshan Rd., Zhonghe Dist., New Taipei City 235026, Taiwan (R.O.C.)	Businesses include the wholesale and retail sale of motor vehicles, retail sale of auto and motorcycle parts and accessories, automobile repair, other automobile services, retail sale of culture, education, musical instruments and educational entertainment supplies, retail sale of tires and tubes, agency service, leasing, and manufacturing of motor vehicles/motorcycles and their parts.	349,065	52,809	33,700	100.00	329,281	(8,023)	(7,896)	Second-tier subsidiary
Hua Yang Motor Co., Ltd.	One Full Co., Ltd.	6F., No. 123, Sec. 2, Nanjing E. Rd., Zhongshan Dist., Taipei City 104475, Taiwan (R.O.C.)	Note 2	30,000	-	3,000	100.00	26,625	(3,375)	(3,375)	Second-tier subsidiary

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

Note 2: Wholesale of culture, education, musical instruments and educational entertainment supplies, retail sale of cloths, garments, shoes, hats, umbrellas and clothing accessories, retail sale of furniture, bedding, kitchen utensils and fixtures, retail sale of daily commodities, retail sale of cleaning supplies, retail sale of cosmetics, retail sale of culture, education, musical instruments and educational entertainment supplies, retail sale of bicycles and parts, retail sale of jewelry and precious metals, retail sale without storefront, other integrated retail sale, international trade, warehousing, and tally packaging.

Note 3: Please refer to Table VII for information on investments in mainland China.

Shinkong Textile Co., Ltd. and Subsidiaries

Information on investments in mainland China.

For the year ended December 31, 2020

(In Thousands of New Taiwan Dollars; Foreign Currencies)

Investee	Principal Business Activities	Paid-in Capital	Method of Investments	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2020	Investment Flows		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2020	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 2)	Carrying Amount as of December 31, 2020	Accumulated Repatriation of Investment Income as of December 31, 2020	Note
					Outflow	Inflow							
Shanghai Xin Ying Trading Co., Ltd.	Garments, leather suitcases, daily commodities, craft gifts (except for cultural relics) and packaging materials.	\$ 21,362	Note 1 (2)-(1)	\$ 13,600	\$ 7,762	\$ -	\$ 21,362	(\$ 4,409)	100	(\$ 4,409) (2)-B	\$ 11,399	\$ -	-
Shanghai Yong Yi Internet Technology Co., Ltd.	Development of specialized field in internet technology, technical service, technology transfer, technical consultation, internet business and e-commerce.	276	Note 1 (2)-(2)	-	-	-	-	(1,044)	61	(637) (2)-B	6	-	-

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

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

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

- (1) Indicate if no investment gain (loss) is recognized as an investee is under preparation.
- (2) Indicate if investment gain (loss) is recognized on one of the following bases:
 - A. Financial statements audited by international accounting firms cooperating with accounting firms in the Republic of China.
 - B. Financial statements audited by the parent company's CPAs in Taiwan.
 - C. Others (financial statements for the same periods prepared by above investees).

Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2020	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA
\$ 21,362	US\$ 1,000 NT\$ 28,480	\$ 5,452,421

TABLE 8**Shinkong Textile Co., Ltd.****Information on Major Shareholders
December 31, 2020**

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

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



V. Latest Audited Standalone Financial Statements

Independent Auditors' Report

To Shinkong Textile Co., Ltd.

Audit opinion

We have audited the parent company only balance sheets of Shinkong Textile Co., Ltd. (hereinafter referred to as the "Company") as of December 31, 2020 and 2019; and the related parent company only statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to parent company only financial statements (including a summary on significant accounting policies).

In our opinion, the aforementioned parent company only financial statements present fairly, in all material respects, the parent company only financial status of the Company as of December 31, 2020 and 2019, and its parent company only financial performance and cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

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

Key Audit Matters

Key audit matters are ones that were of most significance in our audit of the parent company only financial statements of the Company for the year ended December 31, 2020 based on our professional judgment. These matters have been covered during the audit of the overall parent company only financial statements and in forming the audit opinion. We will not express a separate opinion on these matters.

Key audit matters of the parent company only financial statements for the year ended December 31, 2020 are as follows:

Authenticity of sales revenue from specific customers

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

Our corresponding audit procedures were as follows:

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

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

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

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

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

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

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

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

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

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

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

From the matters communicated with those charged with governance, we determine the key audit matters of the Company's parent company only financial statements for the year ended December 31, 2020. We describe these matters in our independent auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter shall not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Deloitte & Touche
CPA Li-Huang Li

CPA Jui-Chuan Chih

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

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

March 30, 2021

Notice to Readers

For the convenience of readers, the independent 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. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and financial statements shall prevail.

Shinkong Textile Co., Ltd.
Parent Company Only Balance Sheets
December 31, 2020 and 2019
(In Thousands of New Taiwan Dollars)

Code	Assets	December 31, 2020		December 31, 2019	
		Amount	%	Amount	%
	Current assets				
1100	Cash and cash equivalents (Notes 6, 31 and 32)	\$ 506,335	4	\$ 498,881	4
1110	Financial assets at fair value through profit or loss (Note 7)	187,529	2	105,558	1
1120	Financial assets at fair value through other comprehensive income - current (Note VIII)	1,240,057	10	1,007,723	9
1150	Notes receivable (Notes 10 and 31)	7,152	-	6,882	-
1170	Accounts receivable (Note 10)	282,717	2	172,626	1
1180	Accounts receivable - related parties, net (Notes 10 and 31)	37,908	-	32,778	-
1200	Other receivables (Note 10)	8,891	-	9,774	-
1210	Other receivables - related parties (Notes 10 and 31)	19,640	-	21,177	-
1220	Current tax assets (Note 25)	848	-	848	-
130X	Inventories (Note 11)	446,537	4	481,921	4
1410	Prepayments (Note 17)	56,335	-	56,508	1
1470	Other current assets (Note 17)	7,737	-	842	-
11XX	Total current assets	<u>2,801,686</u>	<u>22</u>	<u>2,395,518</u>	<u>20</u>
	Non-current assets				
1517	Financial assets at fair value through other comprehensive income - non-current (Notes 8, 31 and 32)	4,216,295	34	4,070,325	34
1535	Financial assets at amortized cost - non-current (Notes 4, 31 and 32)	1,800	-	4,050	-
1550	Investments accounted for using the equity method (Note 12)	2,332,254	19	2,256,547	19
1600	Property, plant and equipment (Notes 13 and 28)	271,270	2	295,788	3
1755	Right-of-use assets (Note 14)	95,613	1	138,856	1
1760	Investment properties (Notes 15 and 32)	2,666,789	21	2,689,790	23
1780	Other intangible assets (Note 16)	2,218	-	2,752	-
1840	Deferred tax assets (Note 25)	36,326	-	4,943	-
1990	Other non-current assets (Note 17)	52,841	1	17,662	-
15XX	Total non-current assets	<u>9,675,406</u>	<u>78</u>	<u>9,480,713</u>	<u>80</u>
1XXX	Total Assets	<u>\$ 12,477,092</u>	<u>100</u>	<u>\$ 11,876,231</u>	<u>100</u>
	Liabilities and equity				
	Current liabilities				
2100	Short-term borrowings (Notes 18 and 32)	\$ 1,350,000	11	\$ 1,410,000	12
2110	Short-term bills payable (Note 18)	858,849	7	589,297	5
2130	Contract liabilities - current (Notes 23 and 31)	49,901	-	37,974	-
2150	Notes payable (Note 19)	99,439	1	99,912	1
2160	Notes payable - related parties (Notes 19 and 31)	12,039	-	2,613	-
2170	Accounts payable (Note 19)	58,740	-	59,313	1
2180	Accounts payable - related parties (Notes 19 and 31)	529	-	1,074	-
2219	Other payables (Note 20)	80,718	1	74,194	1
2220	Other payables - related parties (Notes 20 and 31)	1,231	-	8,382	-
2230	Current tax liabilities (Note 25)	28,560	-	-	-
2280	Lease liabilities - current (Note 14)	36,117	-	42,711	-
2320	Current portion of long-term borrowings (Note 18)	190,000	2	-	-
2399	Other current liabilities (Note 20)	2,260	-	2,139	-
21XX	Total current liabilities	<u>2,768,383</u>	<u>22</u>	<u>2,327,609</u>	<u>20</u>
	Non-current liabilities				
2540	Long-term borrowings (Note 18)	-	-	190,000	2
2570	Deferred tax liabilities (Note 25)	517,977	4	515,915	4
2580	Lease liabilities - non-current (Note 14)	60,887	1	97,011	1
2645	Guarantee deposits received (Notes 20 and 31)	42,481	-	41,304	-
25XX	Total non-current liabilities	<u>621,345</u>	<u>5</u>	<u>844,230</u>	<u>7</u>
2XXX	Total liabilities	<u>3,389,728</u>	<u>27</u>	<u>3,171,839</u>	<u>27</u>
	Equity (Note 22)				
	Share capital				
3110	Common stock	3,000,413	24	3,000,413	25
3200	Capital surplus	7,911	-	6,916	-
	Retained earnings				
3310	Legal reserve	459,911	4	421,099	4
3320	Special reserve	1,006,548	8	1,006,548	8
3350	Unappropriated earnings	951,961	7	912,129	8
3300	Total retained earnings	<u>2,418,420</u>	<u>19</u>	<u>2,339,776</u>	<u>20</u>
	Other equity				
3410	Exchange differences on translating the financial statements of foreign operations	(5,019)	-	(1,416)	-
3420	Unrealized gains (losses) on financial assets at fair value through other comprehensive income	3,678,813	30	3,371,877	28
3400	Total other equity	<u>3,673,794</u>	<u>30</u>	<u>3,370,461</u>	<u>28</u>
3500	Treasury share	(13,174)	-	(13,174)	-
3XXX	Total equity	<u>9,087,364</u>	<u>73</u>	<u>8,704,392</u>	<u>73</u>
	Total Liabilities and Equity	<u>\$ 12,477,092</u>	<u>100</u>	<u>\$ 11,876,231</u>	<u>100</u>

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

Shinkong Textile Co., Ltd.**Parent Company Only Statements of Comprehensive Income****For the Years Ended December 31, 2020 and 2019****(In Thousands of New Taiwan Dollars, Except Earnings Per Share)**

Code		2020		2019	
		Amount	%	Amount	%
	Operating revenue (Notes 23 and 31)				
4100	Sales revenue	\$ 1,791,614	92	\$ 1,741,225	92
4300	Rental revenue	153,486	8	149,420	8
4800	Other operating revenue	<u>996</u>	<u>-</u>	<u>1,021</u>	<u>-</u>
4000	Total operating revenue	<u>1,946,096</u>	<u>100</u>	<u>1,891,666</u>	<u>100</u>
	Operating costs (Notes 11, 24 and 31)				
5110	Cost of goods sold	(1,410,896)	(73)	(1,382,453)	(73)
5300	Rental costs	(<u>44,425</u>)	(<u>2</u>)	(<u>42,463</u>)	(<u>2</u>)
5000	Total operating costs	(<u>1,455,321</u>)	(<u>75</u>)	(<u>1,424,916</u>)	(<u>75</u>)
5900	Gross Profit	<u>490,775</u>	<u>25</u>	<u>466,750</u>	<u>25</u>
	Operating expenses (Notes 24 and 31)				
6100	Selling and marketing	(305,145)	(16)	(331,907)	(18)
6200	General and administrative	(91,398)	(5)	(89,625)	(5)
6300	Research and development	(23,704)	(1)	(27,837)	(<u>1</u>)
6400	Expected credit (loss)/gain	(<u>650</u>)	<u>-</u>	<u>157</u>	<u>-</u>
6000	Total operating expenses	(<u>420,897</u>)	(<u>22</u>)	(<u>449,212</u>)	(<u>24</u>)
6500	Other operating income and expenses	(<u>102</u>)	<u>-</u>	<u>41</u>	<u>-</u>
6900	Profit/(loss) from operations	<u>69,776</u>	<u>3</u>	<u>17,579</u>	<u>1</u>
	Non-operating income and expenses (Notes 24 and 31)				
7100	Interest income	1,950	-	4,801	-
7190	Other income	242,415	13	292,425	16

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Code		2020		2019	
		Amount	%	Amount	%
7020	Other gains and losses	(34,722)	(2)	(10,825)	-
7050	Finance costs	(21,158)	(1)	(20,783)	(1)
7070	Share of profit or loss of subsidiaries, associates and joint ventures accounted for using the equity method	<u>117,840</u>	<u>6</u>	<u>81,191</u>	<u>4</u>
7000	Total non-operating income and expenses	<u>306,325</u>	<u>16</u>	<u>346,809</u>	<u>19</u>
7900	Income before income tax	376,101	19	364,388	20
7950	Income tax (expense)/ benefit (Note XXV)	(<u>11,076</u>)	-	<u>23,043</u>	<u>1</u>
8200	Net income	<u>365,025</u>	<u>19</u>	<u>387,431</u>	<u>21</u>
	Other comprehensive income				
8310	Items that will not be reclassified subsequently to profit or loss:				
8311	Remeasurement of defined benefit plans	3,110	-	(584)	-
8316	Unrealized gains (losses) on investments in equity instruments at fair value through other comprehensive income	320,507	17	196,203	10
8330	Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using the equity method	5,043	-	3,641	-
8360	Items that may be reclassified subsequently to profit or loss:				
8361	Exchange differences on translating the financial statements of foreign operations	(24)	-	(233)	-

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<u>Code</u>		<u>2020</u>		<u>2019</u>	
		<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
8370	Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using the equity method	(3,584)	(1)	(1,072)	-
8399	Income tax relating to items that may be reclassified subsequently to profit or loss	<u>5</u>	<u>-</u>	<u>47</u>	<u>-</u>
8300	Total other comprehensive income, net of tax	<u>325,057</u>	<u>16</u>	<u>198,002</u>	<u>10</u>
8500	Total comprehensive income	<u>\$ 690,082</u>	<u>35</u>	<u>\$ 585,433</u>	<u>31</u>
	Earnings per share (Note XXVI)				
	From continuing operations				
9710	Basic	<u>\$ 1.22</u>		<u>\$ 1.29</u>	
9810	Diluted	<u>\$ 1.22</u>		<u>\$ 1.29</u>	

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

Shinkong Textile Co., Ltd.

**Parent Company Only Statements of Changes in Equity
For the Years Ended December 31, 2020 and 2019
(In Thousands of New Taiwan Dollars)**

Code		Share capital		Retained earnings			Other equity			Treasury share	Total Equity
		Number of Shares (in Thousands)	Amount	Capital surplus	Legal reserve	Special reserve	Unappropriated earnings	Exchange differences on translating the financial statements of foreign operations	Unrealized gains (losses) on financial assets at fair value through other comprehensive income		
A1	Balance at January 1, 2019	300,041	\$ 3,000,413	\$ 5,957	\$ 392,844	\$ 1,006,548	\$ 806,554	(\$ 158)	\$ 3,173,308	(\$ 13,174)	\$ 8,372,292
	Appropriation and distribution of earnings for 2018:										
B1	Legal reserve	-	-	-	28,255	-	(28,255)	-	-	-	-
B5	Cash dividends to shareholders of the Company	-	-	-	-	-	(254,292)	-	-	-	(254,292)
	Other changes in capital surplus:										
M1	Changes in capital surplus from dividends paid to subsidiaries	-	-	681	-	-	-	-	-	-	681
T1	Dividends not collected before the designated date	-	-	278	-	-	-	-	-	-	278
Q1	Disposal of investments in equity instruments at fair value through other comprehensive income	-	-	-	-	-	1,275	-	(1,275)	-	-
D1	Net income in 2019	-	-	-	-	-	387,431	-	-	-	387,431
D3	Other comprehensive income in 2019, net of tax	-	-	-	-	-	(584)	(1,258)	199,844	-	198,002
D5	Total comprehensive income in 2019	-	-	-	-	-	386,847	(1,258)	199,844	-	585,433
Z1	Balance at December 31, 2019	300,041	3,000,413	6,916	421,099	1,006,548	912,129	(1,416)	3,371,877	(13,174)	8,704,392
	Appropriation and distribution of earnings for 2019:										
B1	Legal reserve	-	-	-	38,812	-	(38,812)	-	-	-	-
B5	Cash dividends to shareholders of the Company	-	-	-	-	-	(300,041)	-	-	-	(300,041)
	Other changes in capital surplus:										
M1	Changes in capital surplus from dividends paid to subsidiaries	-	-	804	-	-	-	-	-	-	804
M7	Changes in percentage of ownership interests in subsidiaries	-	-	-	-	-	(8,064)	-	-	-	(8,064)
T1	Dividends not collected before the designated date	-	-	191	-	-	-	-	-	-	191
Q1	Disposal of investments in equity instruments at fair value through other comprehensive income	-	-	-	-	-	18,614	-	(18,614)	-	-
D1	Net income in 2020	-	-	-	-	-	365,025	-	-	-	365,025
D3	Other comprehensive income in 2020, net of tax	-	-	-	-	-	3,110	(3,603)	325,550	-	325,057
D5	Total comprehensive income in 2020	-	-	-	-	-	368,135	(3,603)	325,550	-	690,082
Z1	Balance at December 31, 2020	300,041	\$ 3,000,413	\$ 7,911	\$ 459,911	\$ 1,006,548	\$ 951,961	(\$ 5,019)	\$ 3,678,813	(\$ 13,174)	\$ 9,087,364

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

Shinkong Textile Co., Ltd.
**Parent Company Only Statements of Cash Flows
For the Years Ended December 31, 2020 and 2019
(In Thousands of New Taiwan Dollars)**

Code		2020	2019
	Cash flows from operating activities		
A10000	Income before income tax	\$ 376,101	\$ 364,388
A20010	Adjustments:		
A20100	Depreciation	121,418	138,199
A20200	Amortization	1,568	1,199
A20300	Expected credit loss/(gain)	650	(157)
A20400	Net losses (gains) on financial assets and liabilities at fair value through profit or loss	4,275	(4,657)
A20900	Finance costs	21,158	20,783
A21200	Interest income	(1,950)	(4,801)
A21300	Dividend income	(232,894)	(287,764)
A22400	Share of profit or loss of subsidiaries and associates accounted for using the equity method	(117,840)	(81,191)
A22500	(Gain)/loss on disposal of property, plant and equipment	(150)	725
A23200	Loss on disposal of investments accounted for using the equity method	-	158
A23800	Write-downs of inventories	20,489	18,588
A24500	Dividends not collected before the designated date reclassified to capital surplus	191	278
A29900	Gains (losses) on lease modification	98	(41)
A30000	Changes in operating assets and liabilities, net		
A31130	Notes receivable	(270)	9,540
A31150	Accounts receivable	(115,871)	(38,570)
A31180	Other receivables	22,059	8,870
A31200	Inventories	14,895	(79,945)
A31230	Prepayments	(47)	(6,297)
A31240	Other current assets	(6,895)	(176)
A32125	Contract liabilities	11,927	7,317
A32130	Notes payable	8,953	1,559
A32150	Accounts payable	(1,118)	16,407
A32180	Other payables	(653)	14,350
A32230	Other current liabilities	204	50
A32240	Net defined benefit liabilities	(819)	(772)
A33000	Cash generated from operations	125,479	98,040
A33300	Interest paid	(21,580)	(21,180)

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Code		2020	2019
A33500	Income tax paid	(<u>30,576</u>)	(<u>614</u>)
AAAA	Net cash generated from operating activities	<u>73,323</u>	<u>76,246</u>
	Cash flows from investing activities		
B00010	Acquisition of financial assets at fair value through other comprehensive income	(125,717)	(129,206)
B00020	Proceeds from disposal of financial assets at fair value through other comprehensive income	24,394	9,934
B00030	Proceeds from capital reduction of financial assets at fair value through other comprehensive income	28,257	14,066
B00040	Acquisition of financial assets at amortized cost	-	(100)
B00050	Disposal of financial assets at amortized cost	2,250	-
B00100	Acquisition of financial assets at fair value through profit or loss	(176,587)	(25,001)
B00200	Disposal of financial assets at fair value through profit or loss	90,341	15,271
B01800	Acquisition of long-term investment in shares accounted for using the equity method	(9,607)	(63,684)
B02300	Net cash inflow on disposal of subsidiaries	-	52,650
B02700	Acquisition of property, plant, and equipment	(28,782)	(17,886)
B02800	Proceeds from disposal of property, plant, and equipment	150	50
B03800	Decrease in refundable deposits	1,647	478
B04300	Decrease in other receivables - related parties	-	95,000
B04500	Acquisition of intangible assets	(814)	(2,720)
B07100	Increase in prepayments for equipment	(39,349)	(1,558)
B07500	Interest received	1,950	4,801
B07600	Dividends received from subsidiaries/associates	60,289	70,709
B07600	Other dividends received	<u>232,894</u>	<u>287,764</u>
BBBB	Net cash generated from investing activities	<u>61,316</u>	<u>310,568</u>
	Cash flows from financing activities		
C00200	Decrease in short-term borrowings	(60,000)	(270,000)
C00500	Increase in short-term bills payable	270,000	-
C00600	Decrease in short-term bills payable	-	(10,000)
C01600	Proceeds from long-term borrowings	-	190,000
C03000	Proceeds from guarantee deposits received	1,177	5,173
C04020	Repayment of the principal portion of lease liabilities	(38,321)	(41,061)
C04500	Dividends paid	(<u>300,041</u>)	(<u>254,292</u>)
CCCC	Net cash used in financing activities	(<u>127,185</u>)	(<u>380,180</u>)
EEEE	Net increase in cash and cash equivalents	7,454	6,634

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<u>Code</u>		<u>2020</u>	<u>2019</u>
E00100	Cash and cash equivalents at beginning of year	<u>498,881</u>	<u>492,247</u>
E00200	Cash and cash equivalents at end of year	<u>\$ 506,335</u>	<u>\$ 498,881</u>

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

Shinkong Textile Co., Ltd.

Notes to Parent Company Only Financial Statements

For the Years Ended December 31, 2020 and 2019

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

1. Company History

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

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

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

2. Date and Procedures of Authorization of Financial Statements

The parent company only financial statements of the Company were approved and authorized for issue in the Board of Directors' meeting on March 30, 2021.

3. Application of New and Amended Standards and Interpretations

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

With the exception of the following, the application of the amended Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs endorsed and issued into effect by the FSC shall not result in significant changes in the accounting policies of the Company:

Amendments to IAS 1 and IAS 8 "Definition of Materiality"

The Company adopted the amendments on January 1, 2020. The threshold for materiality was amended to be "could reasonably be expected to influence users" and the disclosures in the parent company only financial statements were adjusted by removing immaterial information which may obscure material information.

- b. Adoption of IFRSs endorsed by the FSC from 2021 onward

<u>New/Revised/Amended Standards and Interpretations</u>	<u>Effective Date Announced by International Accounting Standards Board (IASB)</u>
Amendments to IFRS 4 "Extension of the Temporary Exemption from Applying IFRS 9"	Effective from the date of promulgation
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 "Interest Rate Benchmark Reform - Phase 2"	Effective from annual reporting periods beginning on January 1, 2021
Amendments to IFRS 16 "Covid-19-Related Rent Concessions"	Effective from annual reporting periods beginning on June 1, 2020

c. IFRSs issued by the IASB but not yet endorsed and issued into effect by the FSC

New/Revised/Amended Standards and Interpretations	Effective Date Announced by IASB (Note 1)
"Annual Improvements to IFRSs 2018-2020 Cycle"	January 1, 2022 (Note 2)
Amendments to IFRS 3 "Updating the Reference to the Conceptual Framework"	January 1, 2022 (Note 3)
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be determined
IFRS 17 "Insurance Contracts"	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	January 1, 2023
Amendments to IAS 1 "Disclosure Initiative - Accounting Policies"	January 1, 2023 (Note 6)
Amendments to IAS 8 "Definition of Accounting Estimates"	January 1, 2023 (Note 7)
Amendments to IAS 16 "Property, Plant and Equipment: Proceeds before Intended Use"	January 1, 2022 (Note 4)
Amendments to IAS 37 "Onerous Contracts - Cost of Fulfilling a Contract"	January 1, 2022 (Note 5)

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

Note 2: The amendments to IFRS 9 apply to the exchanges of financial liabilities or the alterations in its terms that occur during the annual reporting periods beginning on or after January 1, 2022. The amendments to IAS 41 "Agriculture" apply to the fair value measurements during the annual reporting periods beginning on or after January 1, 2022. The amendments to IFRS 1 "First-time Adoptions of IFRSs" apply retrospectively for annual reporting periods beginning on or after January 1, 2022.

Note 3: The amendments apply to business combinations with acquisition dates in annual reporting periods beginning on or after January 1, 2022.

Note 4: The amendments apply to property, plant and equipment that arrived at the location and achieved the condition required for their operating method expected by the management on or after January 1, 2021.

Note 5: The amendments apply to contracts with unfulfilled obligations on or after January 1, 2022.

Note 6: The amendments apply prospectively to annual reporting periods beginning on or after January 1, 2023.

Note 7: The amendments apply to changes in accounting estimates and accounting policies on or after January 1, 2023.

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

4. Summary of Significant Accounting Policies

a. Statement of compliance

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

b. Basis of preparation

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

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

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

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

c. Classification of current and non-current assets and liabilities

Current assets include:

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

Current liabilities include:

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

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

d. Foreign currency

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

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

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

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

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

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

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

e. Inventories

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

f. Investment in subsidiaries

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

Subsidiary is an entity (including structured entity) that is controlled by the Company.

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

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

When the Company's share of losses of a subsidiary equals to or exceeds its interest in said subsidiary (which includes any carrying amount of the investment accounted for using the equity method and other long-term interest that, in substance, forms part of the Company's net investment in said subsidiary), the Company continues recognizing its share of further losses.

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

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

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

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

g. Investment in associates

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

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

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

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

When the Company subscribes for additional new shares of the associate at a percentage different from its existing ownership percentage which in turn changes its net interest in the

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

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

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

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

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

h. Property, plant and equipment (PP&E)

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

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

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

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

i. Investment property

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

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

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

j. Intangible assets

1) Separate acquisition

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

2) Derecognition

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

k. Impairment of PP&E, right-of-use assets, intangible assets and assets related to the contract costs

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

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

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

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

When an impairment loss is subsequently reversed, the carrying amount of the asset, CGU or assets related to the contract costs is increased to the revised recoverable amount, but only to the extent of the carrying amount that would have been determined, net of

amortization or depreciation, had no impairment loss been recognized for the asset, CGU or assets related to contract costs in prior periods. A reversal of an impairment loss is recognized in profit or loss.

1. Financial instruments

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

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

1) Financial assets

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

a) Types of measurement

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

i. Financial assets at fair value through profit or loss

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

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

Financial assets at fair value through profit or loss are measured at fair value, of which any dividends and interest accrued are recognized as other income and interest income. Gain or loss on remeasurement are recognized in other gains or losses. Please refer to Note 30 for methods adopted in determining the fair values.

ii. Financial assets at amortized cost

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

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

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

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

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

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

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

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

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

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

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

- b) Impairment of financial assets and contract assets

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

Loss allowances for accounts receivable, lease receivables and contract assets are recognized based on the lifetime ECL. Loss allowance for other financial assets whose credit risk has not increased significantly since initial recognition is measured

at an amount equal to 12-month ECL. If the credit risk has increased significantly, the loss allowance is measured at an amount equal to lifetime ECL.

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

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

- i. There is internal or external information indicating that it is impossible for the debtor to settle the debt.
- ii. Overdue for more than 90 days, unless there is reasonable and supportable information showing that a delayed default base is more appropriate.

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

c) Derecognition of financial assets

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

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

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

2) Equity instruments

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

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

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

3) Financial liabilities

a) Subsequent measurement

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

b) Derecognition of financial liabilities

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

m. Revenue recognition

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

Revenue from the sale of goods

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

The Company does not recognize revenue on materials delivered to subcontractors for processing because the delivery does not involve a transfer of control.

n. Leases

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

1) Where the Company is a lessor:

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

Under operating leases, lease payments after deducting lease incentives are recognized as income on a straight-line basis over the relevant lease term.

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

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

2) Where the Company is a lessee:

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

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

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

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

Subsequently, the lease liability is measured at amortized cost using the effective interest method with interest expense recognized over the lease terms. When there is a change in future lease payments during the lease term, the Company remeasures the lease liabilities with a corresponding adjustment to the right-of-use-assets. However, if the carrying amount of the right-of-use assets is already reduced to zero, the remaining amount of the remeasurement is recognized in profit or loss. Lease liabilities are separately presented on the parent company only balance sheets.

o. Borrowing costs

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

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

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

p. Government grants

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

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

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

q. Employee benefits

1) Short-term employee benefits

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

2) Post-employment benefits

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

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

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

r. Income tax

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

1) Current income tax

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

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

2) Deferred income tax

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

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

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

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

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

3) Current and deferred income taxes

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

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

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

The Company takes into account the economic impact of the COVID-19 pandemic in its critical accounting estimates, and the management will constantly review the estimates and basic assumptions. If an amendment of estimates only affects the current period, it shall be recognized in the period of amendment; if an amendment of accounting estimates affects the current year and future periods, it shall be recognized in the period of amendment and future periods.

6. Cash and Cash Equivalents

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Cash on hand and working capital	\$ 769	\$ 362
Checks and demand deposits in banks	505,566	468,539
Cash equivalent (investments with original maturities within three months)		
Time deposits in banks	-	29,980
	<u>\$ 506,335</u>	<u>\$ 498,881</u>

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

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Bank deposits	0.001% ~ 0.2%	0.001% ~ 2.18%

Financial Instruments at Fair Value through Profit or Loss

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
<u>Financial assets - current</u>		
Designated as at fair value through profit or loss		
- Domestic stocks listed on TWSE or TPEX or emerging stocks	\$ 35,846	\$ 32,474
Mandatorily measured at fair value through profit		
- Fund beneficiary certificates	<u>151,683</u>	<u>73,084</u>
	<u>\$ 187,529</u>	<u>\$ 105,558</u>

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

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
<u>Current</u>		
Domestic		
Stocks listed on TWSE or TPEX	<u>\$ 1,240,057</u>	<u>\$ 1,007,723</u>
<u>Non-current</u>		
Domestic		
Stocks listed on TWSE or TPEX	\$ 2,477,176	\$ 2,438,063
Unlisted stocks	<u>1,739,119</u>	<u>1,632,262</u>
Subtotal	<u>\$ 4,216,295</u>	<u>\$ 4,070,325</u>

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

Please refer to Note 32 for details of investments in equity instruments at fair value through other comprehensive income pledged.

8. Financial Assets at Amortized Cost

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
<u>Non-current</u>		
Domestic		
Time deposits with original maturities over three months	<u>\$ 1,800</u>	<u>\$ 4,050</u>

- a. As of December 31, 2020 and 2019, the interest rate ranges of time deposits with original maturities over three months were 0.41% to 0.765% and 0.66% to 1.23%, respectively.
- b. Financial assets at amortized cost are classified as current or non-current pursuant to the maturity dates on the contracts or the pledged periods.
- c. Please refer to Note 32 for details of financial assets at amortized cost pledged.

9. Notes Receivables, Accounts Receivables, and Other Receivables

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
<u>Notes receivable</u>		
Measured at amortized cost		
Total carrying amount	\$ 7,152	\$ 6,882
Less: loss allowance	<u>-</u>	<u>-</u>
	<u>\$ 7,152</u>	<u>\$ 6,882</u>
 <u>Accounts receivable</u>		
Measured at amortized cost		
Total carrying amount	\$ 284,381	\$ 173,640
Less: loss allowance	(<u>1,664</u>)	(<u>1,014</u>)
	<u>\$ 282,717</u>	<u>\$ 172,626</u>
Accounts receivable - related parties (Note 31)	<u>\$ 37,908</u>	<u>\$ 32,778</u>
 <u>Other receivables</u>		
Other receivables - related parties (Note 31)	\$ 19,640	\$ 21,177
Others	<u>8,891</u>	<u>9,774</u>
	<u>\$ 28,531</u>	<u>\$ 30,951</u>

Notes and accounts receivable

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

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

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

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

December 31, 2020

	<u>Billed for 1~60 Days</u>	<u>Billed for 61~120 Days</u>	<u>Billed for 121~180 Days</u>	<u>Billed over 180 Days</u>	<u>Total</u>
ECL rate	0.01%~0.15%	2.17%~3.42%	4.85%~16.48%	11.94%~100%	
Total carrying amount	\$ 308,169	\$ 19,227	\$ 892	\$ 1,153	\$ 329,441
loss allowance (lifetime ECL)	(<u>157</u>)	(<u>402</u>)	(<u>62</u>)	(<u>1,043</u>)	(<u>1,664</u>)
Amortized cost	<u>\$ 308,012</u>	<u>\$ 18,825</u>	<u>\$ 830</u>	<u>\$ 110</u>	<u>\$ 327,777</u>

December 31, 2019

	Billed for 1~60 Days	Billed for 61~120 Days	Billed for 121~180 Days	Billed over 180 Days	Total
ECL rate	0%~0.15%	2.11%~2.56%	11.20%~11.27%	12.97%~100%	
Total carrying amount	\$ 200,953	\$ 7,531	\$ 3,693	\$ 1,123	\$ 213,300
loss allowance (lifetime ECL)	(507)	(403)	(26)	(78)	(1,014)
Amortized cost	<u>\$ 200,446</u>	<u>\$ 7,128</u>	<u>\$ 3,667</u>	<u>\$ 1,045</u>	<u>\$ 212,286</u>

Changes in loss allowances for accounts receivables are as follows:

	2020	2019
Beginning balance	\$ 1,014	\$ 1,171
Add: Impairment loss provided for in the year	650	-
Add: Impairment loss reversed in the year	-	(157)
Ending balance	<u>\$ 1,664</u>	<u>\$ 1,014</u>

10. Inventories

	December 31, 2020	December 31, 2019
Finished goods	\$ 158,719	\$ 149,845
Work in progress	61,972	60,023
Raw materials	64,792	49,419
Merchandise inventories	<u>161,054</u>	<u>222,634</u>
	<u>\$ 446,537</u>	<u>\$ 481,921</u>

The cost of goods sold related to inventories for the years ended December 31, 2020 and 2019 was NT\$1,410,896 thousand and NT\$1,382,453 thousand respectively. The cost of goods sold for the years ended December 31, 2020 and 2019 included inventory write-down of NT\$20,489 thousand and NT\$18,588 thousand respectively.

11. Investments Accounted for Using the Equity Method

	December 31, 2020	December 31, 2019
Investments in subsidiaries	\$ 1,636,568	\$ 1,592,906
Investments in associates	<u>695,686</u>	<u>663,641</u>
	<u>\$ 2,332,254</u>	<u>\$ 2,256,547</u>

a. Investments in subsidiaries

	December 31, 2020	December 31, 2019
Shinkong Asset Management Co., Ltd.	\$ 1,638,340	\$ 1,599,158
SK INNOVATION CO., LTD.	11,402	15,833
Less: Unrealized gains on disposal	-	(8,911)
Reclassified to treasury shares (Note 22 (5))	(13,174)	(13,174)
	<u>\$ 1,636,568</u>	<u>\$ 1,592,906</u>

The unrealized gains on disposal were due to the trading of the same marketable securities by the Company and Shinkong Asset Management Co., Ltd., which was accounted for using the equity method, at the centralized securities exchange market in 1997. The gains on disposal were deemed as unrealized during a certain period of time.

Name of subsidiary	Percentage of Ownership Interest and Voting Rights	
	December 31, 2020	December 31, 2019
Shinkong Asset Management Co., Ltd.	100%	100%
SK INNOVATION CO., LTD.	100%	100%

The share of profit or loss and other comprehensive income of subsidiaries accounted for using the equity method for the years ended December 31, 2020 and 2019 is calculated based on the subsidiaries' audited financial statements for the same periods.

b. Investments in associates

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
<u>Associates that are individually material</u>		
Unlisted companies		
Lian Quan Investment Co., Ltd.	\$ 364,139	\$ 349,431
Shang De Motor Co., Ltd.	264,006	246,139
Less: Unrealized gains on disposal	<u>-</u>	<u>(6,358)</u>
	<u>\$ 628,145</u>	<u>\$ 589,212</u>
<u>Associates that are not individually material</u>		
WPI-High Street LLC	<u>\$ 67,541</u>	<u>\$ 74,429</u>

The unrealized gains on disposal were due to the trading of the same marketable securities by the Company and Lian Quan Investment Co., Ltd., which was accounted for using the equity method, at the centralized securities exchange market in 1997. The gains on disposal were deemed as unrealized during a certain period of time.

1) Associates that are individually material

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

<u>Name of Company</u>	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Lian Quan Investment Co., Ltd.	48.89%	48.89%
Shang De Motor Co., Ltd.	33.50%	33.50%

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

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

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

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

Lian Quan Investment Co., Ltd.

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Current assets	\$ 10,482	\$ 4,316
Non-current assets	965,140	953,511
Current liabilities	<u>(230,809)</u>	<u>(243,096)</u>
Equity	<u>\$ 744,813</u>	<u>\$ 714,731</u>
Percentage of shares held by the Group	48.89%	48.89%
Interests of the Group	\$ 364,139	\$ 349,431
Unrealized gains on disposal	<u>-</u>	<u>(6,358)</u>
Carrying amount of investments	<u>\$ 364,139</u>	<u>\$ 343,073</u>

	2020	2019
Operating revenue	\$ 22,365	\$ 19,253
Net income	\$ 18,453	\$ 12,043
Other comprehensive income	11,628	(63,763)
Total comprehensive income	\$ 30,081	(\$ 51,720)

Shang De Motor Co., Ltd.

	December 31, 2020	December 31, 2019
Current assets	\$ 828,446	\$ 848,683
Non-current assets	538,542	570,494
Current liabilities	(878,988)	(985,988)
Non-current liabilities	(107,855)	(106,381)
Equity	\$ 380,145	\$ 326,808
Percentage of shares held by the Group	33.50%	33.50%
Interests of the Group investment premium	\$ 127,348	\$ 109,481
Carrying amount of investments	136,658	136,658
	\$ 264,006	\$ 246,139

	2020	2019
Operating revenue	\$ 3,676,067	\$ 3,126,542
Net income (loss)	\$ 53,336	\$ 3,885
Total comprehensive income	\$ 53,336	\$ 3,885

2) Aggregate information of associates that are not individually material

WPI-High Street, LLC

	2020	2019
The Company's share of:		
Net income (loss) of continuing operations	\$ 22,786	(\$ 3,727)
Other comprehensive income	(4,483)	32,299
Total comprehensive income	\$ 18,303	\$ 28,572

12. Property, Plant, and Equipment

	Land	Buildings	Machinery and Equipment	Transportation Equipment	Hydropower Equipment	Miscellaneous Equipment	Lease Improvement	Construction in Progress	Total
Cost									
Balance at January 1, 2020	\$ 92,452	\$ 245,528	\$ 539,223	\$ 7,625	\$ 84,041	\$ 106,344	\$ 45,051	\$ 156	\$ 1,120,420
Additions	-	-	631	-	219	12,762	-	15,170	28,782
Reclassifications	-	-	11,141	-	1,300	3,553	2,328	(11,870)	6,452
Disposals	-	-	(229)	-	(680)	(945)	(32,220)	-	(34,074)
Balance at December 31, 2020	<u>\$ 92,452</u>	<u>\$ 245,528</u>	<u>\$ 550,766</u>	<u>\$ 7,625</u>	<u>\$ 84,880</u>	<u>\$ 121,714</u>	<u>\$ 15,159</u>	<u>\$ 3,456</u>	<u>\$ 1,121,580</u>
Accumulated depreciation and impairment									
Balance at January 1, 2020	\$ -	\$ 235,670	\$ 410,363	\$ 5,726	\$ 68,928	\$ 73,343	\$ 30,602	\$ -	\$ 824,632
Depreciation	-	1,275	30,340	784	4,983	8,784	13,586	-	59,752
Disposals	-	-	(229)	-	(680)	(945)	(32,220)	-	(34,074)
Balance at December 31, 2020	<u>\$ -</u>	<u>\$ 236,945</u>	<u>\$ 440,474</u>	<u>\$ 6,510</u>	<u>\$ 73,231</u>	<u>\$ 81,182</u>	<u>\$ 11,968</u>	<u>\$ -</u>	<u>\$ 850,310</u>
Net balance at December 31, 2020	<u>\$ 92,452</u>	<u>\$ 8,583</u>	<u>\$ 110,292</u>	<u>\$ 1,115</u>	<u>\$ 11,649</u>	<u>\$ 40,532</u>	<u>\$ 3,191</u>	<u>\$ 3,456</u>	<u>\$ 271,270</u>
Cost									
Balance at January 1, 2019	\$ 92,452	\$ 245,178	\$ 538,685	\$ 7,625	\$ 83,141	\$ 98,482	\$ 77,630	\$ 141	\$ 1,143,334
Additions	-	350	557	-	1,330	4,170	11,323	156	17,886
Reclassifications	-	-	-	-	570	3,692	896	(141)	5,017
Disposals	-	-	(19)	-	(1,000)	-	(44,798)	-	(45,817)
Balance at December 31, 2019	<u>\$ 92,452</u>	<u>\$ 245,528</u>	<u>\$ 539,223</u>	<u>\$ 7,625</u>	<u>\$ 84,041</u>	<u>\$ 106,344</u>	<u>\$ 45,051</u>	<u>\$ 156</u>	<u>\$ 1,120,420</u>
Accumulated depreciation and impairment									
Balance at January 1, 2019	\$ -	\$ 233,763	\$ 378,694	\$ 4,926	\$ 63,969	\$ 65,150	\$ 49,861	\$ -	\$ 796,363
Depreciation	-	1,907	31,688	800	5,184	8,193	25,539	-	73,311
Disposals	-	-	(19)	-	(225)	-	(44,798)	-	(45,042)
Balance at December 31, 2019	<u>\$ -</u>	<u>\$ 235,670</u>	<u>\$ 410,363</u>	<u>\$ 5,726</u>	<u>\$ 68,928</u>	<u>\$ 73,343</u>	<u>\$ 30,602</u>	<u>\$ -</u>	<u>\$ 824,632</u>
Net balance at December 31, 2019	<u>\$ 92,452</u>	<u>\$ 9,858</u>	<u>\$ 128,860</u>	<u>\$ 1,899</u>	<u>\$ 15,113</u>	<u>\$ 33,001</u>	<u>\$ 14,449</u>	<u>\$ 156</u>	<u>\$ 295,788</u>

For the years ended December 31, 2020 and 2019, as there was no sign of impairment, the Company did not conduct impairment assessments.

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

Buildings	
Main building of the plant	15~35 years
Others	3~10 years
Machinery and Equipment	2~15 years
Transportation Equipment	5~7 years
Hydropower Equipment	5~20 years
Miscellaneous Equipment	1~20 years
Lease Improvement	1~5 years

13. Lease Agreements

a. Right-of-use assets

	December 31, 2020	December 31, 2019
Carrying amount of right-of-use assets		
Buildings	\$ 92,813	\$ 134,691
Office equipment	450	412
Transportation Equipment	1,798	2,812
Other equipment	<u>552</u>	<u>941</u>
	<u>\$ 95,613</u>	<u>\$ 138,856</u>
	<u>2020</u>	<u>2019</u>
Additions to right-of-use assets	\$ 1,319	\$ 134,736
Disposal of right-of use assets	<u>\$ 6,410</u>	<u>\$ 198</u>
Depreciation of right-of-use assets		
Buildings	\$ 35,893	\$ 39,071
Office equipment	288	289
Transportation Equipment	2,177	2,140
Other equipment	<u>390</u>	<u>469</u>
	<u>\$ 38,748</u>	<u>\$ 41,969</u>
	<u>2020</u>	<u>2019</u>
Lease modification loss (gain) by functions		
Operating costs	(\$ 4)	\$ -
Operating expenses	<u>102</u>	<u>(41)</u>
	<u>\$ 98</u>	<u>(\$ 41)</u>

b. Lease liabilities

	December 31, 2020	December 31, 2019
Carrying amount of lease liabilities		
Current	\$ 36,117	\$ 42,711
Non-current	<u>60,887</u>	<u>97,011</u>
	<u>\$ 97,004</u>	<u>\$ 139,722</u>

Discount rate ranges for lease liabilities are as follows:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Buildings	0.952% ~ 1.008%	1.008% ~ 1.010%
Office equipment	0.981% ~ 1.028%	1.008%
Transportation Equipment	1.003% ~ 1.008%	1.008% ~ 1.010%
Other equipment	1.008%	1.008%

c. Major lease activities and terms

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

d. Other lease information

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

	<u>2020</u>	<u>2019</u>
Short-term lease expenses	<u>\$ 1,404</u>	<u>\$ 1,224</u>
Total cash outflow for leases	<u>(\$ 40,877)</u>	<u>(\$ 43,799)</u>

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

14. Investment property

	<u>Land</u>	<u>Buildings</u>	<u>Total</u>
<u>Cost</u>			
Balance at January 1, 2020	<u>\$ 2,234,993</u>	<u>\$ 1,111,611</u>	<u>\$ 3,346,604</u>
Balance at December 31, 2020	<u>\$ 2,234,993</u>	<u>\$ 1,111,611</u>	<u>\$ 3,346,604</u>
<u>Accumulated depreciation and impairment</u>			
Balance at January 1, 2020	\$ -	\$ 656,814	\$ 656,814
Depreciation	<u>-</u>	<u>23,001</u>	<u>23,001</u>
Balance at December 31, 2020	<u>\$ -</u>	<u>\$ 679,815</u>	<u>\$ 679,815</u>
Net balance at December 31, 2020	<u>\$ 2,234,993</u>	<u>\$ 431,796</u>	<u>\$ 2,666,789</u>
<u>Cost</u>			
Balance at January 1, 2019	<u>\$ 2,234,993</u>	<u>\$ 1,111,611</u>	<u>\$ 3,346,604</u>
Balance at December 31, 2019	<u>\$ 2,234,993</u>	<u>\$ 1,111,611</u>	<u>\$ 3,346,604</u>
<u>Accumulated depreciation and impairment</u>			
Balance at January 1, 2019	\$ -	\$ 633,812	\$ 633,812
Depreciation	<u>-</u>	<u>23,002</u>	<u>23,002</u>
Balance at December 31, 2019	<u>\$ -</u>	<u>\$ 656,814</u>	<u>\$ 656,814</u>
Net balance at December 31, 2019	<u>\$ 2,234,993</u>	<u>\$ 454,797</u>	<u>\$ 2,689,790</u>

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

The total amount of future lease payments to be collected for investment property on operating lease for the years ended December 31, 2020 and 2019 is as follows:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Year 1	\$ 147,270	\$ 142,800
Year 2	125,356	107,649
Year 3	108,153	81,528
Year 4	88,538	69,766
Year 5	73,395	62,693
Over 5 years	<u>311,511</u>	<u>355,645</u>
	<u>\$ 854,223</u>	<u>\$ 820,081</u>

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

Buildings	31~50 years
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The fair value of the investment properties as of December 31, 2020 and 2019 was based on the valuations carried out by independent qualified professional valuers Mr. Chen-Hsing Lin and Mr. Yu-Hua Lo in 2019 and Mr. I-Chuan Chang in 2018 from Y.C.R.E., respectively, all members of certified ROC real estate appraisers. The comparison method and income approaches were adopted. The fair values of investment properties were as follows:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Fair value	<u>\$ 9,750,016</u>	<u>\$ 9,274,249</u>

The Company held freehold interests in all of its investment properties. Please refer to Note 32 for the amount of investment property pledged as collateral for borrowings.

15. Other Intangible Assets

	<u>Computer Software</u>
<u>Cost</u>	
Balance at January 1, 2020	\$ 22,448
Separate acquisitions	814
Reclassifications	220
Disposals	(18,328)
Balance at December 31, 2020	<u>\$ 5,154</u>
 <u>Accumulated amortization and impairment</u>	
Balance at January 1, 2020	\$ 19,696
Amortization	1,568
Disposals	(18,328)
Balance at December 31, 2020	<u>\$ 2,936</u>
 Net balance at December 31, 2020	 <u>\$ 2,218</u>

<u>Cost</u>	
Balance at January 1, 2019	\$ 19,728
Separate acquisitions	<u>2,720</u>
Balance at December 31, 2019	<u>\$ 22,448</u>

<u>Accumulated amortization and impairment</u>	
Balance at January 1, 2019	(\$ 18,497)
Amortization	(<u>1,199</u>)
Balance at December 31, 2019	(<u>\$ 19,696</u>)
Net balance at December 31, 2019	<u>\$ 2,752</u>

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

Computer Software	1~5 years
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16. Other Assets

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
<u>Current</u>		
Prepaid expenses	\$ 13,697	\$ 20,842
Prepayments to suppliers	42,638	35,666
Other financial assets	5,348	-
Others	<u>2,389</u>	<u>842</u>
	<u>\$ 64,072</u>	<u>\$ 57,350</u>
	<u>December 31, 2020</u>	<u>December 31, 2019</u>
<u>Non-current</u>		
Prepayments for equipment	\$ 33,876	\$ 979
Refundable deposits	10,979	12,626
Net defined benefit assets (Note XXI)	<u>7,986</u>	<u>4,057</u>
	<u>\$ 52,841</u>	<u>\$ 17,662</u>

17. Borrowings

a. Short-term borrowings

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
<u>Secured borrowings (Note 32)</u>		
- Bank borrowings	<u>\$ 1,350,000</u>	<u>\$ 1,410,000</u>

The ranges of interest rates on bank borrowings were 0.93% to 0.96% and 0.98% to 1.02% as of December, 31, 2020 and 2019, respectively.

b. Short-term bills payable

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Commercial paper payable	\$ 860,000	\$ 590,000
Less: Discounts on short-term bills payable	(<u>1,151</u>)	(<u>703</u>)
	<u>\$ 858,849</u>	<u>\$ 589,297</u>

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

December 31, 2020

Guarantor/Accepting Institution	Nominal Amount	Discounted Amount	Carrying amount	Interest Rate	Collateral	Carrying Amount of Collateral
International Bills Finance Corporation (I)	\$ 50,000	(\$ 87)	\$ 49,913	0.620%	None	None
International Bills Finance Corporation (II)	150,000	(208)	149,792	0.620%	None	None
Ta Ching Bills Finance Corporation (I)	40,000	(56)	39,944	0.710%	None	None
Ta Ching Bills Finance Corporation (II)	50,000	(17)	49,983	0.710%	None	None
China Bills Finance Corporation	170,000	(361)	169,639	0.250%	None	None
Taiwan Finance Cooperation	100,000	(66)	99,934	0.660%	None	None
Taiwan Cooperative Bills Finance Corporation (I)	70,000	(35)	69,965	0.810%	None	None
Taiwan Cooperative Bills Finance Corporation (II)	60,000	(83)	59,917	0.810%	None	None
Taiwan Cooperative Bills Finance Corporation (III)	70,000	(46)	69,954	0.810%	None	None
Mega Bills Finance Co., Ltd.	<u>100,000</u>	<u>(192)</u>	<u>99,808</u>	0.600%	None	None
	<u>\$ 860,000</u>	<u>(\$ 1,151)</u>	<u>\$ 858,849</u>			

December 31, 2019

Guarantor/Accepting Institution	Nominal Amount	Discounted Amount	Carrying amount	Interest Rate	Collateral	Carrying Amount of Collateral
Ta Ching Bills Finance Corporation	\$ 100,000	(\$ 141)	\$ 99,859	0.760%	None	None
China Bills Finance Corporation	200,000	(282)	199,718	0.550%	None	None
Taiwan Finance Cooperation	150,000	(207)	149,793	0.700%	None	None
Taiwan Cooperative Bills Finance Corporation	90,000	(47)	89,953	0.800%	None	None
Mega Bills Finance Co., Ltd.	<u>50,000</u>	<u>(26)</u>	<u>49,974</u>	0.670%	None	None
	<u>\$ 590,000</u>	<u>(\$ 703)</u>	<u>\$ 589,297</u>			

c. Long-term borrowings

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
<u>Secured borrowings (Note 32)</u>		
Bank borrowings	\$ 190,000	\$ 190,000
Less: Current portion	(<u>190,000</u>)	<u>-</u>
Long-term borrowings	<u>\$ -</u>	<u>\$ 190,000</u>

- 1) The Company obtained NT\$190,000 thousand from the drawdown of a new bank borrowing which is due on June 25, 2021. As of December 31, 2020, the effective interest rate is 0.97% p.a. with monthly interest payments and full repayment on principal when due.
- 2) In 2019, the Company obtained NT\$190,000 thousand from the drawdown of a new bank borrowing which is due on January 11, 2021. As of December 31, 2019, the effective interest rate is 1.2% p.a. with monthly interest payments. The Company made early repayment on the borrowing in January 1, 2020.
- 3) The above long-term borrowings were secured by the pledge of the Company's investment property (Please refer to Note 32).

18. Notes and Accounts Payable

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

19. Other Liabilities

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
<u>Current</u>		
Other payables		
Salaries and bonus payable	\$ 33,903	\$ 33,134
Employee compensation payable	7,400	7,600
Director and supervisor remuneration payable	7,400	7,600
Tax payable	2,759	2,800
Pension payable	2,059	1,994
Electricity and fuels payable	817	1,040
Interest payable	546	520
Services expense payable	890	1,140
Machinery and equipment payable	1,324	60
Investment payable	733	258
Others	<u>22,887</u>	<u>18,048</u>
	<u>\$ 80,718</u>	<u>\$ 74,194</u>
Other payables - related parties	<u>\$ 1,231</u>	<u>\$ 8,382</u>
Other liabilities		
Receipts under custody	\$ 2,006	\$ 1,931
Temporary credits	143	14
Deferred revenue	<u>111</u>	<u>194</u>
	<u>\$ 2,260</u>	<u>\$ 2,139</u>

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

	<u>2020</u>	<u>2019</u>
Beginning balance	\$ 194	\$ 277
Amortization for the period (recognized as deductions to depreciation)	(<u>83</u>)	(<u>83</u>)
Ending balance	<u>\$ 111</u>	<u>\$ 194</u>

20. Post-employment Benefit Plans

a. Defined contribution plans

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

b. Defined benefit plans

The pension system adopted by the Company under the "Labor Standards Act" is a state-managed defined benefit plan. The payment of the employee's pension is based on the period of service and the average salary of six months before the approved retirement date. The Company contributes monthly an amount equal to 2% of the employees' monthly salaries and wages to a retirement fund that is deposited with Bank of Taiwan under the name of The Supervisory Committee of Workers' Retirement Fund. Before the end of year, if the balance at the retirement fund is not sufficient to pay employees who will meet the

retirement criteria next year, a lump-sum deposit for the shortfall should be made before the end of March of the following year. The Bureau of Labor Funds, Ministry of Labor administers the account. The Company has no right over its investment and administration strategies.

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

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Present value of defined benefit obligation	\$ 41,339	\$ 42,554
Fair value of plan assets	(<u>49,325</u>)	(<u>46,611</u>)
Net defined benefit assets	(\$ <u>7,986</u>)	(\$ <u>4,057</u>)

Changes in net defined benefit assets are as follows:

	<u>Present value of defined benefit obligation</u>	<u>Fair value of plan assets</u>	<u>Net defined benefit assets</u>
Balance at January 1, 2019	<u>\$ 39,834</u>	<u>(\$ 43,703)</u>	<u>(\$ 3,869)</u>
Service costs			
Current service costs	198	-	198
Interest expense (income)	<u>398</u>	<u>(442)</u>	<u>(44)</u>
Recognized in profit or loss	<u>596</u>	<u>(442)</u>	<u>154</u>
Remeasurements			
Return on plan assets (excluding amounts that are included in net interest)	-	<u>(1,540)</u>	<u>(1,540)</u>
Actuarial losses - changes in financial assumptions	991	-	991
Actuarial losses - experience adjustments	<u>1,133</u>	<u>-</u>	<u>1,133</u>
Recognized in other comprehensive income	<u>2,124</u>	<u>(1,540)</u>	<u>584</u>
Contributions from the employer	<u>-</u>	<u>(926)</u>	<u>(926)</u>
Balance at December 31, 2019	<u>42,554</u>	<u>(46,611)</u>	<u>(4,057)</u>
Service costs			
Current service costs	135	-	135
Interest expense (income)	<u>319</u>	<u>(353)</u>	<u>(34)</u>
Recognized in profit or loss	<u>454</u>	<u>(353)</u>	<u>101</u>
Remeasurements			
Return on plan assets (excluding amounts that are included in net interest)	-	<u>(1,516)</u>	<u>(1,516)</u>
Actuarial losses - changes in financial assumptions	888	-	888
Actuarial losses - experience adjustments	<u>(2,482)</u>	<u>-</u>	<u>(2,482)</u>
Recognized in other comprehensive income	<u>(1,594)</u>	<u>(1,516)</u>	<u>(3,110)</u>
Contributions from the employer	<u>-</u>	<u>(920)</u>	<u>(920)</u>
Plan assets paid	<u>(75)</u>	<u>75</u>	<u>-</u>
Balance at December 31, 2020	<u>\$ 41,339</u>	<u>(\$ 49,325)</u>	<u>(\$ 7,986)</u>

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

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

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

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Discount rate	0.500%	0.750%
Expected rate of salary increase	2.250%	2.250%

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

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Discount rate		
Increase by 0.25%	(\$ 889)	(\$ 991)
Decrease by 0.25%	\$ 919	\$ 1,027
	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Expected rate of salary increase		
Increase by 0.25%	\$ 887	\$ 994
Decrease by 0.25%	(\$ 863)	(\$ 965)

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

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Expected contributions to the plan for the next year	<u>\$ 930</u>	<u>\$ 936</u>
Average duration of defined benefit obligations	8.6 years	9.4 years

21. Equity

a. Share capital

Common stock

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Number of shares authorized (in thousands)	<u>360,000</u>	<u>360,000</u>
Share capital authorized	<u>\$ 3,600,000</u>	<u>\$ 3,600,000</u>
Number of shares issued and fully paid (in thousands)	<u>300,041</u>	<u>300,041</u>
Share capital issued	<u>\$ 3,000,413</u>	<u>\$ 3,000,413</u>

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

b. Capital surplus

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
<u>May not be used for any purpose</u>		
Treasury share transactions	\$ 6,736	\$ 5,932
Dividends not collected before the designated date	<u>1,175</u>	<u>984</u>
	<u>\$ 7,911</u>	<u>\$ 6,916</u>

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

c. Retained earnings and dividend policy

In the shareholders' meeting on June 14, 2019, the Company had resolved to amend the Articles of Incorporation where the Board of Directors is authorized by the Company to make special resolutions concerning the distribution of dividends and bonuses in the form of cash and report to the shareholders' meeting. The distribution of earnings in the form of stock dividends is to be determined by the shareholders' meeting.

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

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

The distribution of earnings for years ended December 31, 2019 and 2018 approved in the shareholders' meetings on June 19, 2020 and June 14, 2019, respectively, was as follows:

	Distribution of Earnings		Dividends Per Share (NT\$)	
	2019	2018	2019	2018
Legal reserve	\$ 38,812	\$ 28,255	\$ -	\$ -
Cash dividends	300,041	254,292	1	0.8475

The distribution of earnings for year ended December 31, 2020 approved in the Board of Directors' meeting on March 30, 2021 was as follows:

	Distribution of Earnings	Dividends Per Share (NT\$)
Legal reserve	\$ 37,868	\$ -
Cash dividends	300,041	1

The above distribution of cash dividends is approved by the Board of Directors and is subject to the resolution of the shareholders' meeting to be held on June 18, 2021.

d. Other equity

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

	2020	2019
Beginning balance	\$ 3,371,877	\$ 3,173,308
Unrealized gains (losses) incurred during the year		
Equity instruments	320,507	196,203
Share of associates accounted for using the equity method	5,043	3,641
Other comprehensive income for the year	325,550	199,844
Accumulated gains (losses) on disposal of equity instruments transferred to retained earnings	(18,614)	(1,275)
Ending balance	\$ 3,678,813	\$ 3,371,877

e. Treasury share

Reason for repurchase	Shares of Parent Company Held by Subsidiary (in thousands)
As of January 1, 2020	804
As of December 31, 2020	804
As of January 1, 2019	804
As of December 31, 2019	804

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

December 31, 2020

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

December 31, 2019

Name of subsidiary	No. of Shares Held (in thousands)	Carrying amount	Market Value
Shinkong Asset Management Co., Ltd.	<u>804</u>	<u>\$ 13,174</u>	<u>\$ 33,527</u>

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

22. Revenue

	2020	2019
Revenue from contracts with customers		
Revenue from the sale of goods	\$ 1,791,614	\$ 1,741,225
Rental revenue	153,486	149,420
Others	<u>996</u>	<u>1,021</u>
	<u>\$ 1,946,096</u>	<u>\$ 1,891,666</u>

a. Details on contracts with customers

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

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

b. Contract balance

	December 31, 2020	December 31, 2019	January 1, 2019
Notes receivable (Note X)	\$ 7,152	\$ 6,882	\$ 16,422
Accounts receivable (Note X)	<u>320,625</u>	<u>205,404</u>	<u>166,677</u>
	<u>\$ 327,777</u>	<u>\$ 212,286</u>	<u>\$ 183,099</u>
Contract liabilities			
Sale of goods	\$ 33,111	\$ 19,161	\$ 9,538
Rental revenue of investment property	<u>16,790</u>	<u>18,813</u>	<u>21,119</u>
Contract liabilities - current	<u>\$ 49,901</u>	<u>\$ 37,974</u>	<u>\$ 30,657</u>

c. Breakdown of revenue from contracts with customers

	<u>2020</u>	<u>2019</u>
<u>Types of goods or services</u>		
Textile	\$ 1,159,247	\$ 1,205,222
Retail sale/Garment	<u>632,367</u>	<u>536,003</u>
	<u>\$ 1,791,614</u>	<u>\$ 1,741,225</u>

23. Net Income

a. Interest income

	<u>2020</u>	<u>2019</u>
Bank deposits	\$ 1,912	\$ 4,296
Loans to related parties	-	455
Others	<u>38</u>	<u>50</u>
	<u>\$ 1,950</u>	<u>\$ 4,801</u>

b. Other income

	<u>2020</u>	<u>2019</u>
Dividend income	\$ 232,894	\$ 287,764
Others	<u>9,521</u>	<u>4,661</u>
	<u>\$ 242,415</u>	<u>\$ 292,425</u>

c. Other gains and losses

	<u>2020</u>	<u>2019</u>
Gains on financial assets and financial liabilities		
Financial assets designated as at fair value through profit or loss	\$ 3,372	\$ 1,704
Financial assets mandatorily measured at fair value through profit or loss	(7,647)	2,953
Gain/(loss) on disposal of property, plant and equipment	150	(725)
Net foreign exchange losses	(27,582)	(12,029)
Loss on disposal of investments	-	(158)
Other expenses	<u>(3,015)</u>	<u>(2,570)</u>
	<u>(\$ 34,722)</u>	<u>(\$ 10,825)</u>

d. Finance costs

	<u>2020</u>	<u>2019</u>
Interest on bank borrowings	\$ 16,352	\$ 16,261
Interest on short-term bills	3,654	3,008
Interest on lease liabilities	<u>1,152</u>	<u>1,514</u>
	<u>\$ 21,158</u>	<u>\$ 20,783</u>

e. Depreciation and amortization

	2020	2019
Depreciation by functions		
Operating costs	\$ 83,021	\$ 84,745
Operating expenses	<u>38,397</u>	<u>53,454</u>
	<u>\$ 121,418</u>	<u>\$ 138,199</u>
Amortization by functions		
Operating costs	\$ 299	\$ 280
Operating expenses	<u>1,269</u>	<u>919</u>
	<u>\$ 1,568</u>	<u>\$ 1,199</u>

f. Employee benefit expense

	2020	2019
Post-employment benefits		
Defined contribution plans	\$ 11,898	\$ 11,815
Defined benefit plans (Note 21)	<u>101</u>	<u>154</u>
	11,999	11,969
Other employee benefits	<u>331,863</u>	<u>343,301</u>
Total employee benefit expense	<u>\$ 343,862</u>	<u>\$ 355,270</u>
By functions		
Operating costs	\$ 124,703	\$ 134,524
Operating expenses	<u>219,159</u>	<u>220,746</u>
	<u>\$ 343,862</u>	<u>\$ 355,270</u>

g. Compensation to employees and remuneration to directors and supervisors

According to the Company's Articles of Incorporation, the compensation to employees shall not be lower than one percent and the remuneration to directors and supervisors shall not be higher than five percent of the income before income tax, compensation to employees and remuneration to directors and supervisors. Compensation to employees and remuneration to directors and supervisors for the years ended December 31, 2020 and 2019 resolved in the Board of Directors meetings on March 30, 2021 and March 26, 2020, respectively, were as follows:

Accrual rate

	2020	2019
Compensation to employees	1.89%	2.00%
Remuneration to Directors and Supervisors	1.89%	2.00%

Amount

	Cash	
	2020	2019
Compensation to employees	<u>\$ 7,400</u>	<u>\$ 7,600</u>
Remuneration to Directors and Supervisors	<u>\$ 7,400</u>	<u>\$ 7,600</u>

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

The actual amounts of compensation to employees and the remuneration to directors and supervisors distributed for the years ended December 31, 2019 and 2018 were consistent with the amounts recognized in the parent company only financial statements for the same periods.

For information on the Company's compensation to employees and the remuneration to directors and supervisors as resolved in the Board of Directors' meeting in 2020 and 2019, please visit the "Market Observation Post System" of Taiwan Stock Exchange.

h. Foreign exchange (loss) gain

	2020	2019
Total foreign exchange gains	\$ 1,080	\$ 3,520
Total foreign exchange losses	(28,662)	(15,549)
Net losses	(\$ 27,582)	(\$ 12,029)

24. Income Tax

a. Income tax recognized in profit or loss

Major components of income tax expenses (benefits) are as follows:

	2020	2019
Current income tax		
Incurred this year	\$ 13,943	\$ -
Income tax benefit - tax consolidation	-	(21,176)
Additional tax levied on the unappropriated earnings	2,463	416
Adjustments for previous years	<u>23,091</u>	<u>205</u>
	<u>39,497</u>	<u>(20,555)</u>
Deferred income tax		
Incurred this year	(28,421)	(2,488)
Income tax expenses (benefits) recognized in profit or loss	<u>\$ 11,076</u>	<u>(\$ 23,043)</u>

The reconciliation of accounting profit and income tax benefit is as follows:

	2020	2019
Income before income tax	<u>\$ 376,101</u>	<u>\$ 364,388</u>
Income tax expenses calculated at the statutory tax rate	\$ 75,220	\$ 72,878
Tax-exempted income	(64,273)	(77,290)
Additional tax levied on the unappropriated earnings	2,463	416
Unrecognized deductible temporary difference	(25,425)	1,924
Adjustments for previous years	23,091	205
Income tax benefit - tax consolidation	<u>-</u>	<u>(21,176)</u>
Income tax expenses (benefits) recognized in profit or loss	<u>\$ 11,076</u>	<u>(\$ 23,043)</u>

In July 2019, the President put into effect the amended Statute for Industrial Innovation, stipulating that from 2018 onwards, any unappropriated earnings, if taken for building or purchasing specific assets or technologies, can be listed as a deduction in the calculation of unappropriated earnings. The Company deducted only the amount of the unappropriated

earnings that was reinvested as capital expenditure when calculating the tax on unappropriated earnings.

b. Income tax recognized in other comprehensive income

	<u>2020</u>	<u>2019</u>
<u>Deferred income tax</u>		
Incurred this year		
- Translating the financial statements of foreign operations	(\$ 5)	(\$ 47)
- Share of other comprehensive income of associates accounted for using the equity method	(895)	(516)
	<u>(\$ 900)</u>	<u>(\$ 563)</u>

c. Current tax assets and liabilities

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Current tax assets		
Tax refunds receivable	\$ 848	\$ 848
Current tax liabilities		
Income tax payable	\$ 28,560	\$ -

d. Deferred tax assets and liabilities

Changes in deferred tax assets and liabilities are as follows:

2020

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

2019

	Beginning balance	Recognized in profit or loss	Recognized in other comprehensive income	Ending balance
<u>Deferred tax assets</u>				
Temporary differences				
Difference on unrealized foreign exchange gain (loss)	\$ 1,571	\$ 992	\$ -	\$ 2,563
Gains (losses) on foreign investments accounted for using the equity method	126	1,651	-	1,777
Exchange differences on translating the financial statements of foreign operations	39	-	563	602
Others	<u>1</u>	<u>-</u>	<u>-</u>	<u>1</u>
	<u>\$ 1,737</u>	<u>\$ 2,643</u>	<u>\$ 563</u>	<u>\$ 4,943</u>
<u>Deferred tax liabilities</u>				
Temporary differences				
Defined benefit plans	\$ 2,224	\$ 155	\$ -	\$ 2,379
Land value increment tax	<u>513,536</u>	<u>-</u>	<u>-</u>	<u>513,536</u>
	<u>\$ 515,760</u>	<u>\$ 155</u>	<u>\$ -</u>	<u>\$ 515,915</u>

Land revaluation of the Company's freehold land was carried out at the assessed present value in July 1981 and November 2000, respectively, and the provision for land value increment tax of NT\$513,536 thousand (under deferred tax liabilities) was recognized as of December 31, 2020 and 2019.

- e. Deductible temporary difference for which no deferred tax assets have been recognized in the parent company only balance sheets

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Deductible temporary difference		
Inventory write-down	\$ -	\$ 25,428
Impairment loss	<u>12,673</u>	<u>12,673</u>
	<u>\$ 12,673</u>	<u>\$ 38,101</u>

- f. Income tax assessment

The business income tax returns of the Company through 2016 have been assessed by the tax authorities.

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

25. Earnings per Share (EPS)

	(NT\$ per Share)	
	2020	2019
Basic EPS	<u>\$ 1.22</u>	<u>\$ 1.29</u>
Diluted EPS	<u>\$ 1.22</u>	<u>\$ 1.29</u>

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

Net income

	2020	2019
Net income for basic EPS	\$ 365,025	\$ 387,431
Net income for the calculation of diluted EPS	\$ 365,025	\$ 387,431

Number of shares

	(In Thousands of Shares)	
	2020	2019
Weighted average number of common shares used for calculation of basic earnings per share	299,237	299,237
Effect of potentially dilutive common shares:		
Compensation to employees	222	182
Weighted average number of common shares used for calculation of diluted earnings per share	299,459	299,419

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

26. Government Grants

The Company received government grants of NT\$24,930 thousand from the Ministry of Economic Affairs due to COVID-19. The amount was recognized as a deduction to salaries, electricity and other expenses.

27. Cash Flow Information

a. Non-cash transactions

Besides disclosures in other notes, the Company engaged in the following non-cash investing activities for the years ended December 31, 2020 and 2019:

- 1) The Company reclassified prepayments for equipment of NT\$6,452 thousand and NT\$5,017 thousand to PP&E for the years ended December 31, 2020 and 2019, respectively (please refer to Note XIII for details);
- 2) The Company reclassified prepaid expenses of NT\$220 thousand to other intangible assets for the year ended December 31, 2020 (please refer to Note XVI for details);
- 3) The Company reclassified investment prepayments of NT\$6,832 thousand to financial assets at fair value through other comprehensive income - non-current for the year ended December 31, 2019.

b. Changes in liabilities from financing activities

2020

	January 1, 2020	Cash Flows	Non-cash Changes				December 31, 2020	
			Additional Leases	Interest Expenses	Remeasurement on Lease Modifications	Remeasur- ment on Termination	Interest Paid	
Lease liabilities (Note XIV)	\$ 139,722	(\$ 38,321)	\$ 1,319	\$ 1,152	\$ 596	(\$ 6,312)	(\$ 1,152)	\$ 97,004

2019

Lease liabilities (Note XIV)	Non-cash Changes							December 31, 2019
	January 1, 2019	Cash Flows	Additional Leases	Interest Expenses	Remeasurement on Lease Modifications	Remeasurement on Termination	Interest Paid	
	\$105,045	(\$ 41,061)	\$134,736	\$ 1,514	(\$ 58,759)	(\$ 239)	(\$ 1,514)	\$139,722

28. Capital Risk Management

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

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

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

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

29. Financial Instruments

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

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

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

- 1) Fair value hierarchy

December 31, 2020

	Level 1	Level 2	Level 3	Total
<u>Financial assets at fair value through profit or loss</u>				
Domestic stocks listed on TWSE or TPEX or emerging stocks	\$ 35,846	\$ -	\$ -	\$ 35,846
Fund beneficiary certificates	151,683	-	-	151,683
Total	<u>\$ 187,529</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 187,529</u>
<u>Financial assets at fair value through other comprehensive income</u>				
Investments in equity instruments				
- Domestic stocks listed on TWSE or TPEX or emerging stocks	\$ 3,717,233	\$ -	\$ -	\$ 3,717,233
- Domestic stocks not listed on TWSE or TPEX	-	-	1,739,119	1,739,119
Total	<u>\$ 3,717,233</u>	<u>\$ -</u>	<u>\$ 1,739,119</u>	<u>\$ 5,456,352</u>

December 31, 2019

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Financial assets at fair value through profit or loss</u>				
Domestic stocks listed on TWSE or TPEX or emerging stocks	\$ 32,474	\$ -	\$ -	\$ 32,474
Fund beneficiary certificates	<u>73,084</u>	<u>-</u>	<u>-</u>	<u>73,084</u>
Total	<u>\$ 105,558</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 105,558</u>
<u>Financial assets at fair value through other comprehensive income</u>				
Investments in equity instruments				
- Domestic stocks listed on TWSE or TPEX or emerging stocks	\$ 3,445,786	\$ -	\$ -	\$ 3,445,786
- Domestic stocks not listed on TWSE or TPEX	<u>-</u>	<u>-</u>	<u>1,632,262</u>	<u>1,632,262</u>
Total	<u>\$ 3,445,786</u>	<u>\$ -</u>	<u>\$ 1,632,262</u>	<u>\$ 5,078,048</u>

There was no transfer between Level 1 and Level 2 fair value measurements in 2020 and 2019.

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

2020

<u>Financial assets</u>	<u>Financial assets at fair value through other comprehensive income Equity instruments</u>
Beginning balance	\$ 1,632,262
Recognized in other comprehensive income (unrealized gains (losses) on financial assets at fair value through other comprehensive income)	135,114
Proceeds from capital reduction	(<u>28,257</u>)
Ending balance	<u>\$ 1,739,119</u>

2019

<u>Financial assets</u>	<u>Financial assets at fair value through other comprehensive income Equity instruments</u>
Beginning balance	\$ 1,709,335
Recognized in other comprehensive income (unrealized gains (losses) on financial assets at fair value through other comprehensive income)	(63,007)
Proceeds from capital reduction	(<u>14,066</u>)
Ending balance	<u>\$ 1,632,262</u>

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

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

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

c. Category of financial instruments

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
<u>Financial assets</u>		
Measured at fair value through profit or loss		
Mandatorily measured at fair value through profit	\$ 151,683	\$ 73,084
Designated as at fair value through profit or loss	35,846	32,474
Financial assets at amortized cost (Note 1)	880,770	758,794
Financial assets at fair value through other comprehensive income		
Investments in equity instruments	5,456,352	5,078,048
<u>Financial liabilities</u>		
Measured at amortized cost (Note 2)	2,694,026	2,476,089

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

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

d. Financial risk management objectives and policies

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

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

1) Market risk

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

a) Foreign exchange risk

The Company undertakes product sales and purchases in foreign currencies; thus, it is exposed to risks of exchange rate fluctuations. Approximately 40% to 45% of the

sales and 20% to 25% of the costs are denominated in currencies other than the functional currency. The Company manages its exposure to foreign exchange risk by dynamically adjusting the overall position of assets and liabilities denominated in currencies other than the functional currency in calculating its foreign exchange risk.

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

Sensitivity analysis

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

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

	(In Thousands of New Taiwan Dollars)	
	Impact of USD	
	2020	2019
Profit or loss	\$5,111(i)	\$4,190(i)

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

The increase in the sensitivity to exchange rate in 2020 was mainly due to an increase in sales denominated in U.S. dollars which resulted in an increased balance of accounts receivables denominated in U.S. dollars.

- b) Interest rate risk

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

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

	December 31, 2020	December 31, 2019
Fair value interest rate risk		
- Financial assets	\$ 1,800	\$ 4,050
- Financial liabilities	\$ 97,004	\$ 139,722
Cash flow interest rate risk		
- Financial assets	\$ 506,335	\$ 498,881
- Financial liabilities	\$ 2,398,849	\$ 2,189,297

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

Sensitivity analysis

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

If the interest rate increases/decreases by 1%, the Company's net income would increase/decrease by NT\$15,140 thousand and NT\$13,523 thousand for the years ended December 31, 2020, and 2019, respectively. This is mainly due to the Company's interest rate exposure from borrowings at floating interest rates.

The increase in the sensitivity to interest rate in 2020 was mainly due to an increase in borrowings at floating interest rates.

c) Other price risk

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

Sensitivity analysis

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

For the years ended December 31, 2020 and 2019, if the equity price increases/decreases by 1%, the profit or loss after tax would increase/decrease by NT\$358 thousand and NT\$324 thousand, respectively, due to the increase/decrease in fair value of financial assets at fair value through profit or loss and the other comprehensive income after tax would increase/decrease by NT\$54,564 thousand and NT\$50,780 thousand, respectively, due to the increase/decrease in the fair value of financial assets at fair value through other comprehensive income.

2) Credit risk

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

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

3) Liquidity risk

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

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

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

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

December 31, 2020

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

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

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

December 31, 2019

	Effective Interest Rate (%)	Less than 1 Month	1 ~ 3 Months	3 Months ~ 1 Year	1 ~ 5 Years	Over 5 Years
Lease liabilities	1.008~1.010	\$ 3,711	\$ 7,423	\$ 32,749	\$ 96,736	\$ 1,891
Short-term borrowings	0.98~1.02	-	1,410,000	-	-	-
Long-term borrowings	1.20	-	-	-	190,000	-
Short-term bills payable	0.55~0.80	139,927	449,370	-	-	-
		<u>\$ 143,638</u>	<u>\$ 1,866,793</u>	<u>\$ 32,749</u>	<u>\$ 286,736</u>	<u>\$ 1,891</u>

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

	Less than 1 Year	1 ~ 5 Years	5 ~ 10 Years	10 ~ 15 Years	15 ~ 20 Years	20 Years and Above
Lease liabilities	<u>\$ 43,883</u>	<u>\$ 96,736</u>	<u>\$ 1,891</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

b) Line of credit

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Credit facilities		
- Amount used	\$ 1,540,000	\$ 1,600,000
- Unused amount	<u>3,520,000</u>	<u>3,260,000</u>
	<u>\$ 5,060,000</u>	<u>\$ 4,860,000</u>
Credit from commercial papers		
- Amount used	\$ 860,000	\$ 590,000
- Unused amount	<u>290,000</u>	<u>360,000</u>
	<u>\$ 1,150,000</u>	<u>\$ 950,000</u>

30. Related Party Transactions

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

a. Names and relations of related parties

<u>Name of Related Party</u>	<u>Relationship with the Company</u>
Shinkong Asset Management Co., Ltd.	Subsidiary
Xin Fu Development Co., Ltd.	Subsidiary
SK INNOVATION CO., LTD	Subsidiary
Hua Yang Motor Co., Ltd.	Subsidiary
Shanghai Xin Ying Trading Co., Ltd.	Subsidiary
WPI-HIGH STREET. LLC	Associate
Shang De Motor Co., Ltd.	Associate
Lian Quan Investment Co., Ltd.	Associate
Chyang Sheng Dyeing & Finishing Co., Ltd.	Related party in substance
Shin Kong Life Insurance Co., Ltd.	Related party in substance
Taishin International Bank Co., Ltd.	Related party in substance
Shin Kong Wu Ho-Su Memorial Hospital	Related party in substance
Shin Kong Investment Trust Co., Ltd.	Related party in substance
Shin Kong Bank Co., Ltd.	Related party in substance
The Great Taipei Gas Corporation	Related party in substance
UBright Optronics Corp.	Related party in substance
Taishin D.A. Finance Co., Ltd.	Related party in substance
Taiwan Security Co., Ltd.	Related party in substance
Taiwan Shin Kong Security Co., Ltd.	Related party in substance
Waibel Enterprise Inc.	Related party in substance
Shinkong Mitsukoshi Department Store Co., Ltd.	Related party in substance
Shinkong Synthetic Fibers Corporation	Related party in substance
Shinkong Insurance Co., Ltd.	Related party in substance
Shinkong Materials Technology Co., Ltd.	Related party in substance
Shin-Kong Life Real Estate Service Co., Ltd.	Related party in substance
Cheng Cheng Co., Ltd.	Related party in substance
Cheng Qian Co., Ltd.	Related party in substance
ShinKong Co., Ltd.	Related party in substance
Yi Guang Security Co., Ltd.	Related party in substance
Yi Guang International Apartments Maintenance and Management Co., Ltd.	Related party in substance
Shin Kong Recreation Co., Ltd.	Related party in substance
Pan Asian Plastics Corp.	Related party in substance

Name of Related Party	Relationship with the Company
Taipei Star Bank Co., Ltd.	Related party in substance
Shin Kong Education Foundation	Related party in substance
Taishin Financial Holding Co., Ltd.	Related party in substance

b. Operating revenue

Financial Statement			
Account	Type/Name of Related Party	2020	2019
Sales revenue	Shinkong Mitsukoshi	\$ 212,418	\$ 160,257
	Department Store Co., Ltd.		
	Subsidiary	1,568	4,949
	Related party in substance	<u>20,239</u>	<u>21,039</u>
		<u>\$ 234,225</u>	<u>\$ 186,245</u>
Rental revenue	UBright Optronics Corp.	\$ 20,068	\$ 19,478
	Taishin International Bank	26,469	26,469
	Co., Ltd.		
	Related party in substance	<u>9,589</u>	<u>9,108</u>
		<u>\$ 56,126</u>	<u>\$ 55,055</u>

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

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

c. Purchases

Financial Statement			
Account	Type/Name of Related Party	2020	2019
Purchases	Chyang Sheng Dyeing & Finishing Co., Ltd.	\$ 21,409	\$ 11,226
	Shinkong Synthetic Fibers Corporation	12,076	12,541
	Subsidiary	<u>1,175</u>	<u>-</u>
		<u>\$ 34,660</u>	<u>\$ 23,767</u>

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

d. Contract liabilities

Type of Related Party	December 31, 2020	December 31, 2019
Related party in substance	<u>\$ 9,740</u>	<u>\$ 4,843</u>

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

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

Financial Statement Account	Type of Related Party	December 31, 2020	December 31, 2019
Notes receivable	Related party in substance	\$ 8	\$ 6
Accounts receivable	Shinkong Mitsukoshi Department Store Co., Ltd. Subsidiary	\$ 35,522 705	\$ 25,154 -
	Related party in substance	<u>1,681</u>	<u>7,624</u>
		<u>\$ 37,908</u>	<u>\$ 32,778</u>
Other receivables	Shinkong Asset Management Co., Ltd. Related party in substance	\$ 19,639 <u>1</u>	\$ 21,176 <u>1</u>
		<u>\$ 19,640</u>	<u>\$ 21,177</u>

The Company does not receive guarantees for the outstanding amount of receivables from related parties. No loss allowances were set aside for receivables from related parties for the years ended December 31, 2020 and 2019.

f. Payables to related parties (excluding borrowings from related parties)

Financial Statement Account	Type of Related Party	December 31, 2020	December 31, 2019
Notes payable	Related party in substance	\$ 12,039	\$ 2,613
Accounts payable	Related party in substance	\$ 529	\$ 1,074
Other payables	Related party in substance	\$ 1,231	\$ 8,382

The Company does not provide collaterals for the outstanding amount of payables to related parties.

g. Prepayments

Type of Related Party	December 31, 2020	December 31, 2019
Related party in substance	<u>\$ 225</u>	<u>\$ 2,532</u>

h. Lease agreements - the Company as a lessee

Financial Statement Account	Type of Related Party	December 31, 2020	December 31, 2019
Lease liabilities	Chyang Sheng Dyeing & Finishing Co., Ltd.	\$ 19,770	\$ 33,631
Lease liabilities	Shin Kong Life Insurance Co., Ltd.	<u>43,178</u>	<u>55,851</u>
		<u>\$ 62,948</u>	<u>\$ 89,482</u>

Type/Name of Related Party	2020	2019
<u>Interest Expenses</u>		
Chyang Sheng Dyeing & Finishing Co., Ltd.	\$ 265	\$ 385
Shin Kong Life Insurance Co., Ltd.	<u>493</u>	<u>536</u>
	<u>\$ 758</u>	<u>\$ 921</u>

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

i. Lease agreements - the Company as a lessor

Operating lease

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

Type/Name of Related Party	December 31, 2020	December 31, 2019
UBright Optronics Corp.	\$ 55,742	\$ 77,461
Taishin International Bank Co., Ltd.	99,711	30,677
Related party in substance	33,295	9,558
	\$ 188,748	\$ 117,696

Please refer to Note 31 (2) Operating Revenue for information on rental revenue.

j. Acquisition of intangible assets

2020

(In Thousands of Shares)

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

2019

(In Thousands of Shares)

Name of Related Party	Financial Statement Account	No. of Unit	Underlying Securities	Price
Taishin Financial Holding Co., Ltd.	Financial assets at fair value through other comprehensive income - non-current	137	Taishin Financial Holding Co., Ltd. - preferred stocks E	\$ 6,831
Chyang Sheng Dyeing & Finishing Co., Ltd.	Financial assets at fair value through other comprehensive income - current	6,324	Chyang Sheng Dyeing & Finishing Co., Ltd. - common stocks	95,244
Shin Kong Investment Trust Co., Ltd.	Financial assets at fair value through profit or loss - current	503	Shin Kong Global Preferred Stock Income Fund	5,000
				\$ 107,075

k. Disposal of financial assets

2020

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

2019

(In Thousands of Shares)					
Name of Related Party	Financial Statement Account	No. of Shares	Underlying Securities	Proceeds from Disposal	Gains (Losses) on Disposal
Shin Kong Investment Trust Co., Ltd.	Financial assets at fair value through profit or loss - current	503	Shin Kong Global Preferred Stock Income Fund	<u>\$ 5,901</u>	<u>\$ 91</u>

l. Loans to related parties

Interest income

Type/Name of Related Party	2020	2019
Shang De Motor Co., Ltd.	\$ -	\$ 332
Hua Yang Motor Co., Ltd.	-	123
	<u>\$ -</u>	<u>\$ 455</u>

Short-term loans provided by the Company to several key management personnel are unsecured loans with interest rates similar to the market rates.

m. Endorsements and guarantees

Endorsements and guarantees received

Type/Name of Related Party	December 31, 2020	December 31, 2019
Shinkong Asset Management Co., Ltd.		
Guaranteed Amount	<u>\$ 2,060,000</u>	<u>\$ 2,060,000</u>
Amount Actually Drawn (recognized as secured bank borrowings)	<u>\$ 2,060,000</u>	<u>\$ 2,060,000</u>

Endorsements and guarantees provided

<u>Type/Name of Related Party</u>	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Shang De Motor Co., Ltd.		
Guarantee Amount	<u>\$ 240,000</u>	<u>\$ 240,000</u>
Amount Actually Drawn	<u>\$ 72,360</u>	<u>\$ 77,000</u>

n. Others

<u>Financial Statement Account</u>	<u>Type of Related Party</u>	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Cash and cash equivalent	Shin Kong Bank Co., Ltd.	\$ 63,628	\$ 83,228
	Related party in substance	<u>12,370</u>	<u>27,274</u>
		<u>\$ 75,998</u>	<u>\$ 110,502</u>

<u>Financial Statement Account</u>	<u>Type of Related Party</u>	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Refundable deposits	Chyang Sheng Dyeing & Finishing Co., Ltd.	\$ 3,202	\$ 2,941
	Shin Kong Life Insurance Co., Ltd.	3,456	3,456
	Related party in substance	<u>222</u>	<u>222</u>
		<u>\$ 6,880</u>	<u>\$ 6,619</u>

Guarantee deposits received	UBright Optronics Corp.	\$ 4,010	\$ 4,010
	Taishin International Bank Co., Ltd.	5,754	5,754
	Related party in substance	<u>1,104</u>	<u>1,104</u>
		<u>\$ 10,868</u>	<u>\$ 10,868</u>

Financial assets at amortized cost	Shin Kong Bank Co., Ltd.	<u>\$ 1,800</u>	<u>\$ 4,050</u>
------------------------------------	--------------------------	-----------------	-----------------

Non-operating income	The Great Taipei Gas Corporation	\$ -	\$ 1,442
	Shin Kong Life Insurance Co., Ltd.	35	529
	Related party in substance	<u>128</u>	<u>286</u>
		<u>\$ 163</u>	<u>\$ 2,257</u>
Non-operating expenses	Related party in substance	<u>\$ 15</u>	<u>\$ 5</u>

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

<u>Name of Related Party</u>	<u>Details</u>	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Shin Kong Bank Co., Ltd.	Shares of Shinkong Insurance Co., Ltd.	10,000 thousand shares	10,000 thousand shares
Taishin International Bank Co., Ltd.	Shares of Shinkong Insurance Co., Ltd.	10,000 thousand shares	-

o. Remuneration to key management

	<u>2020</u>	<u>2019</u>
Short-term employee benefits	\$ 12,751	\$ 12,537
Post-employment benefits	311	299
	<u>\$ 13,062</u>	<u>\$ 12,836</u>

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

31. Pledged Assets

The following assets have been provided as collateral for borrowings:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Financial assets at fair value through other comprehensive income - non-current	\$ 1,793,800	\$ 1,400,267
Investment properties	1,881,034	1,897,707
Pledged time deposits (recognized as financial assets at amortized cost)	1,800	4,050
	<u>\$ 3,676,634</u>	<u>\$ 3,302,024</u>

32. Significant Contingent Liabilities and Unrecognized Contract Commitments

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

Significant commitments

As of December 31, 2020 and 2019, the guaranteed notes submitted by the Company for import credits and other businesses amounted to NT\$8,818 thousand and NT\$8,518 thousand, respectively.

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

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

December 31, 2020

Assets denominated in foreign currency	<u>Foreign Currency</u>	<u>Exchange Rate</u>	<u>Carrying amount</u>
<u>Monetary items</u>			
USD	\$ 22,431	28.48	\$ 638,846
Euro	27	35.02	948
<u>Non-monetary items</u>			
Subsidiaries, associates and joint ventures accounted for using the equity method			
RMB	2,606	4.377	11,402

Liabilities denominated in foreign currency	<u>Foreign Currency</u>	<u>Exchange Rate</u>	<u>Carrying amount</u>
<u>Monetary items</u>			
Euro	49	35.02	1,723

December 31, 2019

Assets denominated in foreign currency	<u>Foreign Currency</u>	<u>Exchange Rate</u>	<u>Carrying amount</u>
<u>Monetary items</u>			
USD	\$ 17,506	29.98	\$ 524,821
Euro	533	33.59	17,887
AUD	15	21.005	324
<u>Non-monetary items</u>			
Subsidiaries, associates and joint ventures accounted for using the equity method			
RMB	3,678	4.305	15,833

Liabilities denominated in foreign currency	<u>Foreign Currency</u>	<u>Exchange Rate</u>	<u>Carrying amount</u>
<u>Monetary items</u>			
USD	34	29.98	1,020
Euro	108	33.59	3,630

The Company's (realized and unrealized) foreign exchange gains and losses for the years ended December 31, 2020 and 2019 amounted to NT\$27,582 thousand and NT\$12,029 thousand, respectively. Since the Company transacts in a number of foreign currencies, foreign exchange gain (loss) cannot be disclosed by foreign currencies with significant impact.

34. Additional Disclosures

- a. Information on Significant Transactions:
 - 1) Financing provided to others. (Table I)
 - 2) Endorsement/guarantee provided to others. (Table II)
 - 3) Marketable securities held as of December 31, 2020 (excluding investments in subsidiaries, associates and joint ventures). (Table III)
 - 4) Individual securities acquired or disposed of with accumulated amount of at least NT\$300 million or 20 percent of the paid-in capital for the year ended December 31, 2020. (None)
 - 5) Acquisition of individual real estate with amount of at least NT\$300 million or 20 percent of the paid-in capital for the year ended December 31, 2020. (None)
 - 6) Disposal of individual real estate with amount of at least NT\$300 million or 20 percent of the paid-in capital for the year ended December 31, 2020. (None)
 - 7) Related party transactions with purchase or sales amount of at least NT\$100 million or 20 percent of the paid-in capital for the year ended December 31, 2020. (Table IV)
 - 8) Receivables from related parties of at least NT\$100 million or 20 percent of the paid-in capital as of December 31, 2020. (None)
 - 9) Derivative financial instrument transactions. (None)
- b. Information on Investees (Table V)
- c. Information on Investments in Mainland China:
 - 1) For investees in mainland China, please show the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in mainland China. (Table VI)
 - 2) Any of the following significant transactions with investees in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses: (None)
 - a) Purchase amount and percentage, and the closing balance and percentage of the related payables.
 - b) Sales amount and percentage, and the closing balance and percentage of the related receivables.
 - c) Property transaction amount and the resulting gain or loss.
 - d) Ending balances and purposes of endorsements/guarantees or collateral provided.
 - e) The maximum balance, ending balance, interest rate range and total amount of interest of financing for the current year.
 - f) Other transactions having a significant influence on profit or loss or financial status of the current year, such as providing or receiving services.
- d. Information on major shareholders: Name of shareholders with a shareholding ratio of 5% or more, the number, and proportion of shares held: (Table VII)

Shinkong Textile Co., Ltd.

Financing provided to others
For the year ended December 31, 2020
(In Thousands of New Taiwan Dollars)

No.	Financing Company	Counterparty	Financial Statement Account	Whether A Related Party	Maximum Balance for the Period	Ending Balance	Amount Actually Drawn	Interest Rate	Nature of Financing	Transaction Amount	Reason for Short-term Financing	Loss Allowance	Collateral		Financing Limit for Individual Borrower	Limit on Total Financing Amount	Note
													Item	Value			
1	Shinkong Asset Management Co., Ltd.	Hua Yang Motor Co., Ltd.	Receivables from related parties	Yes	\$ 30,000	\$ 30,000	\$ 30,000	1%	Necessity of short-term financing	\$ -	Operating capital	\$ -	-	\$ -	\$ 663,667	\$ 6,361,155	Note 2

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

- (1) For the issuer, fill in 0.
- (2) Investees are numbered sequentially starting from 1 according to the company type.

Note 2: Financing provided to Shinkong Asset Management Co., Ltd.:

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

Maximum amount of financing to companies or firms requiring short-term financing: NT\$9,087,364 x70%=NT\$6,361,155

Maximum amount of financing to a single counterparty: NT\$9,087,364 x20%=NT\$1,817,473; NT\$1,659,168 x40%=NT\$663,667

Shinkong Textile Co., Ltd.

Endorsements and guarantees provided
For the year ended December 31, 2020
(In Thousands of New Taiwan Dollars)

No.	Endorser/Guarantor	Endorsee/Guarantee		Limits on Endorsement/Guarantee Amount Provided to A Single Entity (Note 3)	Maximum Endorsement/Guarantee Balance for the Period	Ending Balance	Amount Actually Drawn	Amount of Endorsement/Guarantee Collateralized by Property	Ratio of Accumulated Endorsement/Guarantee to Net Worth per Latest Financial Statements (%)	Maximum Endorsement/Guarantee Amount Allowed (Note 3)	Endorsement/Guarantee Provided by Parent for Subsidiary	Endorsement/Guarantee Provided by Subsidiary for Parent	Endorsement/Guarantee Provided for Subsidiary in Mainland China	Note
		Name of Company	Relationship											
0	Shinkong Textile Co., Ltd.	Shang De Motor Co., Ltd.	6	\$ 1,817,473	\$ 240,000	\$ 72,360	\$ 72,360	\$ -	0.8%	\$ 4,543,682	N	N	N	Note 3
1	Shinkong Asset Management Co., Ltd.	Shinkong Textile Co., Ltd.	3	9,087,364	2,060,000	2,060,000	2,060,000	2,060,000	23%	9,087,364	N	Y	N	Note 3

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

- (1) For the issuer, fill in 0.
- (2) Investees are numbered sequentially starting from 1 according to the company type.

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

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

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

- (1) The Company and subsidiaries' aggregate amount of endorsement/guarantee for external entities shall not exceed 50% of the Company's net worth. The maximum endorsement/guarantee for a single entity shall not exceed 20% of the Company's net worth.
- (2) According to the rules above, the maximum amount of aggregate endorsement/guarantee provided by the Company and subsidiaries was the net worth of NT\$9,087,364×50%=NT\$4,543,682 and the maximum endorsement/guarantee for a single entity was the net worth of NT\$9,087,364×20%=NT\$1,817,473 for the year ended December 31, 2019.
The limit calculated based on Shinkong Asset Management Co., Ltd.'s Procedures for Endorsement and Guarantee is as follows:
- (3) The amount of endorsement/guarantee provided by 100%-owned subsidiaries to the parent company shall be limited to the net worth of the parent company.

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

Shinkong Textile Co., Ltd.

Marketable securities held as of December 31, 2020
December 31, 2020
(In Thousands of Shares / New Taiwan Dollars)

Securities Holding Company	Type and Name of Securities (Note 1)	Relationship with Issuer of Securities (Note 2)	Financial Statement Account	Ending Balance			Note (Note 3)
				Number of shares (in thousands)	Carrying amount	Shareholding (%)	
Shinkong Textile Co., Ltd.	Beneficiary certificates						
	Grandway Multi-Strategy Fund	None	Financial assets at fair value through profit or loss - current	63	\$ 52,977	-	\$ 52,977
	Shin Kong Chi-Shin Money-market Fund	None	"	5,126	80,002	-	80,002
	Yuanta/P-shares Taiwan Top 50 ETF			153	18,704	-	18,704
	Stocks - listed on TWSE or TPEX Asia Pacific Telecom Co., Ltd. TacBright Optronics Corporation	None (6)	" "	524 5,000	5,296 30,550	0.01 1.08	5,296 30,550
				<u>\$ 187,529</u>		<u>\$ 187,529</u>	
Shinkong Textile Co., Ltd.	Stocks - listed on TWSE or TPEX						
	Chyang Sheng Dyeing & Finishing Co., Ltd.	(3)	Financial assets at fair value through other comprehensive income - current	22,581	\$ 309,354	13.03	\$ 309,354
	Shinkong Synthetic Fibers Corporation	(4)	"	56,104	799,486	3.47	799,486
	SinoPac Holdings Co., Ltd.	None	"	3	39	-	39
	Taishin Financial Holding Co., Ltd.	(6)	"	6,836	90,574	0.06	90,574
	Shin Kong Financial Holding	(6)	"	4,609	40,604	0.04	40,604
				<u>\$ 1,240,057</u>		<u>\$ 1,240,057</u>	
Shinkong Textile Co., Ltd.	Stocks - listed on TWSE or TPEX						
	Xintec Inc.	None	Financial assets at fair value through other comprehensive income - non-current	141	\$ 25,873	0.05	\$ 25,873
	O-Bank Co., Ltd.	None	"	10,385	71,966	0.34	71,966
	The Great Taipei Gas Corporation	(6)	"	10,738	368,314	2.08	368,314
	Taishin Financial Holding Co., Ltd. - preferred stocks E	(6)	"	228	11,997	0.03	11,997

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Securities Holding Company	Type and Name of Securities (Note 1)	Relationship with Issuer of Securities (Note 2)	Financial Statement Account	Ending Balance				Note (Note 3)	
				Number of Shares (in thousands)	Carrying amount	Shareholding (%)	Fair value		
Shinkong Textile Co., Ltd.	Shinkong Insurance Co., Ltd.	(1)	Financial assets at fair value through other comprehensive income - non-current	51,540	\$ 1,992,003	16.31	\$ 1,992,003	10,000 thousand shares were collateralized to Shin Kong Bank and Taishin International Bank separately with a market value of NT\$773,000 thousand	
	Taishin Financial Holding Co., Ltd. - Preferred stocks E (second time) Unlisted companies	(6)	"	137	7,023	0.05	7,023		
	Tong Hsin Water Business Inc.	(1)	Financial assets at fair value through other comprehensive income - non-current	2,478	28,454	9.83	28,454		
	Taian Insurance Co., Ltd.	None	"	2,049	46,032	0.69	46,032		
	Shin Kong Chao Feng Co., Ltd.	(5)	"	200	33,229	2.22	33,229		
	Shinkong Mitsukoshi Department Store Co., Ltd.	(4)	"	41,275	1,316,687	3.31	1,316,687		32,000 thousand shares were collateralized to ChinaTrust Commercial Bank with a market value of NT\$1,020,800 thousand
	Shin Kong Recreation Co., Ltd.	(2)	"	650	202,830	3.32	202,830		
	Eastern International Ad.	None	"	-	316	0.90	316		
	Li Yu Venture Capital Co., Ltd.	None	"	209	1,534	1.79	1,534		
	Taiwan Zeniya Interior Design Co., Ltd.	None	"	-	14,827	0.08	14,827		
	Global Securities Finance Corp.	None	"	98	979	0.53	979		
	WK Technology Fund IV	None	"	301	1,905	0.71	1,905		
	WK Technology Fund	None	"	435	5,454	2.18	5,454		
	IRSO Precision Co., Ltd.	None	"	1,000	5,857	4.93	5,857		
	KHL IB Venture Capital	None	"	3,011	81,015	2.98	81,015		
						<u>\$ 4,216,295</u>	<u>\$ 4,216,295</u>		

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

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

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

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

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

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

(6) Other related parties.

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

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

Shinkong Textile Co., Ltd.

Related party transactions with purchase or sales amount of at least NT\$100 million or 20 percent of the paid-in capital
For the year ended December 31, 2020
(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Relationship	Transaction Details				Abnormal Transactions (Note 1)		Notes and Accounts Receivable (Payable)		Note (Note 2)
			Purchases (Sales)	Amount	Percentage of Total Purchases (Sales) (%)	Credit Period	Unit price	Credit Period	Ending Balance	Percentage of Total Notes and Accounts Receivable (Payable) (%)	
Shinkong Mitsukoshi Department Store Co., Ltd.	Shinkong Textile Co., Ltd.	Related party in substance	Sales	\$ 212,418	10.92%	No material difference from general customers	-	-	\$ 35,522	10.84%	

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

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

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

Shinkong Textile Co., Ltd.

Names, locations, and other information of investees
For the year ended December 31, 2020
(In Thousands of Shares / New Taiwan Dollars)

Investor	Investee	Location	Principal Business Activities	Initial Investment Amount		Ending Balance			Income (Loss) of the Investee	Investment Gain (Loss)	Note
				Ending Balance	End of Last Year	Number of shares	%	Carrying amount			
Shinkong Textile Co., Ltd.	Shinkong Asset Management Co., Ltd.	11F., No. 123, Sec. 2, Nanjing E. Rd., Zhongshan Dist., Taipei City 104475, Taiwan (R.O.C.)	Reinvestment in a wide range of businesses, including manufacturing, banking, insurance, recreation, securities, trading, general merchandises, cultural undertakings and the construction of commercial buildings and public housing units.	\$ 664,719	\$ 664,719	25,490	100.00	\$ 1,625,166	\$ 73,375	\$ 72,571	Note 1, Subsidiary
"	Lian Quan Investment Co., Ltd.	12F., No. 123, Sec. 2, Nanjing E. Rd., Zhongshan Dist., Taipei City 104475, Taiwan (R.O.C.)	Reinvestment in a wide range of businesses, including manufacturing, banking, insurance, recreation, securities, trading, general merchandises, cultural undertakings and the construction of commercial buildings and public housing units.	83,133	83,133	11,192	48.89	364,139	18,453	9,022	Note 1
"	SK INNOVATION CO., LTD.	Portcullis Trust Net Chambzs, P.O. Box1225, Apia, Samoa	Investment	21,424	21,424	700	100.00	11,402	(4,407)	(4,407)	Subsidiary
"	Shang De Motor Co., Ltd.	No. 518, Zhongzheng Rd., Xinzhuang Dist., New Taipei City 242048, Taiwan (R.O.C.)	Trading and maintenance of motor vehicles and trading of auto parts	269,699	229,216	9,715	33.50	264,006	53,336	17,868	
"	WPI-High Street LLC	5190 Campus Dr., Newport Beach, CA 92660	Investment	85,624	46,613	-	35.71	67,541	63,809	22,786	
Shinkong Asset Management Co., Ltd.	Xin Fu Development Co., Ltd.	11F., No. 123, Sec. 2, Nanjing E. Rd., Zhongshan Dist., Taipei City 104475, Taiwan (R.O.C.)	Development and rental of housing, building and industrial factory, and development of specific areas	764,862	764,862	20,000	100.00	769,721	3,452	3,468	Second-tier subsidiary

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Investor	Investee	Location	Principal Business Activities	Initial Investment Amount		Ending Balance			Income (Loss) of the Investee	Investment Gain (Loss)	Note
				Ending Balance	End of Last Year	Number of shares	%	Carrying amount			
"	Hua Yang Motor Co., Ltd.	No. 9-1, Ln. 366, Sec. 2, Zhongshan Rd., Zhonghe Dist., New Taipei City 235026, Taiwan (R.O.C.)	Businesses include the wholesale and retail sale of motor vehicles, retail sale of auto and motorcycle parts and accessories, automobile repair, other automobile services, retail sale of culture, education, musical instruments and educational entertainment supplies, retail sale of tires and tubes, agency service, leasing, and manufacturing of motor vehicles/motorcycles and their parts	349,065	52,809	33,700	100.00	329,281	(8,023)	(7,896)	Second-tier subsidiary
Hua Yang Motor Co., Ltd.	One Full Co., Ltd.	6F., No. 123, Sec. 2, Nanjing E. Rd., Zhongshan Dist., Taipei City 104475, Taiwan (R.O.C.)	Note 2	30,000	-	3,000	100.00	26,625	(3,375)	(3,375)	Second-tier subsidiary

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

Note 2: Wholesale of culture, education, musical instruments and educational entertainment supplies, retail sale of cloths, garments, shoes, hats, umbrellas and clothing accessories, retail sale of furniture, bedding, kitchen utensils and fixtures, retail sale of daily commodities, retail sale of cleaning supplies, retail sale of cosmetics, retail sale of culture, education, musical instruments and educational entertainment supplies, retail sale of bicycles and parts, retail sale of jewelry and precious metals, retail sale without storefront, other integrated retail sale, international trade, warehousing, and tally packaging.

Note 3: Please refer to Table VI for information on investments in mainland China.

Shinkong Textile Co., Ltd.

Information on investments in mainland China.

For the year ended December 31, 2020

(In Thousands of New Taiwan Dollars; Foreign Currencies)

Investee	Principal Business Activities	Paid-in Capital	Method of Investments	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2020	Investment Flows		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2020	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 2)	Carrying Amount as of December 31, 2020	Accumulated Repatriation of Investment Income as of December 31, 2020	Note
					Outflow	Inflow							
Shanghai Xin Ying Trading Co., Ltd.	Garments, leather suitcases, daily commodities, craft gifts (except for cultural relics) and packaging materials.	\$ 21,362	Note 1 (2)-(1)	\$ 13,600	\$ 7,762	\$ -	\$ 21,362	(\$ 4,409)	100	(\$ 4,409) (2)-B	\$ 11,399	\$ -	-
Shanghai Yong Yi Internet Technology Co., Ltd.	Development of specialized field in internet technology, technical service, technology transfer, technical consultation, internet business and e-commerce.	276	Note 1 (2)-(2)	-	-	-	-	(1,044)	61	(637) (2)-B	6	-	-

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

1. Direct investment in mainland China.

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

(2)-(2) Reinvesting in the Mainland through Shanghai Xin Ying Trading Co., Ltd.

(3) Others.

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

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

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

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

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

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

Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2020	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA
\$21,362	US\$ 1,000, NT\$ 28,480	\$5,452,418

TABLE 7**Shinkong Textile Co., Ltd.****Information on Major Shareholders
December 31, 2020**

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

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

VI. Financial Difficulties Experienced by the Company and Its Affiliates in the Most Recent Year and as of the Date of this Annual Report, and Their Impact on the Company's Financial Position: None.

VII. Other Supplement

Personnel associated with the transparency of financial information have obtained the relevant licenses specified by the competent authorities as follows:

Basic Corporate Internal Control Competency Test organized by Securities & Futures Institute (SFI): 1 person in Audit Office.

Chapter VII. Review and Analysis of Financial Position and Performance and Associated Risks

I. Financial Position

Comparison on financial position of 2020 and 2019

(In Thousands of New Taiwan Dollars)

Item \ Year	2020	2019	Difference	
			Amount	%
Current assets	2,891,898	2,423,394	468,504	19.33
Investments	4,956,518	4,772,769	183,749	3.85
Property, plant and equipment, net	321,571	318,639	2,932	0.92
Right-of-use assets	106,078	151,114	(45,036)	(29.80)
Investment properties	5,093,701	5,127,590	(33,889)	(0.66)
Other intangible assets	2,368	2,752	(384)	(13.95)
Other Assets	206,994	122,481	84,513	69
Total Assets	13,579,128	12,918,739	660,389	5.11
Current liabilities	3,532,018	2,991,784	540,234	18.06
Non-current liabilities	959,742	1,187,807	(228,065)	(19.20)
Total Liabilities	4,491,760	4,179,591	312,169	7.47
Share capital	3,000,413	3,000,413	-	-
Capital surplus	7,911	6,916	995	14.39
Retained earnings	2,418,420	2,339,776	78,644	3.36
Other equity	3,673,794	3,370,461	303,333	9.00
Treasury share	(13,174)	(13,174)	-	-
Total equity attributable to owners of the Parent	9,087,364	8,704,392	382,972	4.40
Non-controlling Interests	4	34,756	(34,752)	(99.99)
Total Equity	9,087,368	8,739,148	348,220	3.98
Explanations for difference amounted to 1% of total assets, i.e., approximately NT\$135,791 thousand and a percent variance of 20% are as follows: None.				

II. Financial Performance

(I) Financial performance analysis for 2020 and 2019

(In Thousands of New Taiwan Dollars)

Item \ Year	2020	2019	Increase (Decrease)	%
Net operating revenue	2,149,213	2,083,581	65,632	3.15
Cost of revenue	1,526,091	1,488,769	37,322	2.51
Gross profit	623,122	594,812	28,310	4.76
Operating expenses	459,675	481,403	(21,728)	(4.51)
Net operating income	163,447	113,409	50,038	44.12
Non-operating income and expenses	232,509	264,383	(31,874)	(12.06)
Income before income tax	395,956	377,792	18,164	4.81
Income tax benefit (expense)	(31,464)	1,028	(32,492)	(-3160.70)
Net income	364,492	378,820	(14,328)	(3.78)

1. Reasons for significant changes:

- (1) Variance analysis on net operating income: The increased of NT\$50,038 thousand compared to 2019 was mainly due to an increase of NT\$28,310 thousand in gross profit and a decrease of NT\$21,728 thousand in operating expenses.
2. The expected sales volume and its basis and the possible impact on the Company's future finance and operation as well as the countermeasures: Based on economic conditions and experience, the sale volume is projected at about 11,682 thousand yards in 2021.

III. Cash Flows

(In Thousands of New Taiwan Dollars)

Year	Cash at Beginning of Year	Net Cash Provided by Operating Activities	Net Cash Used by Investing Activities	Net Cash Used by Financing Activities	Effect of Exchange Rate Changes on Cash and Cash Equivalents	Cash at End of Year	Remedial Measures for Cash Shortage	
							Investment Plan	Financing Plan
109	535,465	147,035	(8,564)	(79,111)	(27)	594,798	-	-

1. Analysis on cash flow changes in 2020

- (1) Operating activities: The net cash inflow of NT\$147,035 thousand was mainly due to an increase in income before income tax.
- (2) Investing activities: The net cash outflow of NT\$8,564 thousand was mainly due to an increase in the acquisition of financial assets at fair value through other comprehensive income.
- (3) Financing activities: The net cash outflow of NT\$79,111 thousand was mainly due to payment of dividends to owners of the Company.

2. Liquidity improvement program: Not applicable.

3. Liquidity analysis for 2021:

(In Thousands of New Taiwan Dollars)

Year	Cash at Beginning of Year	Net Cash Provided (Used) by Operating Activities	Net Cash Provided (Used) by Investing Activities	Net Cash Provided (Used) by Financing Activities	Effect of Exchange Rate Changes on Cash and Cash Equivalents	Cash at End of Year	Remedial Measures for Cash Shortage	
							Investment Plan	Financing Plan
110	594,798	96,735	356,093	(448,638)	-	598,988	-	-

IV. Major Capital Expenditures in the Most Recent Year and Their Impacts on the Company's Finance and Operation: None.

V. Reinvestment Policies in the Most Recent Year, Main Reasons for Investment Gains or Losses, Improvement Plans, and Investment Plans of the Next Year

The Company's reinvestment policy in the most recent year was to increase the Company's investment scope, implement diversified operations and select appropriate investment targets. Currently, the reinvestments as a whole is profitable. The Company has no major reinvestment plans in 2021.

VI. Risk Analysis and Assessment

The following items in the most recent year and as of the date of this annual report:

(I) Impacts of changes in interest rates and foreign exchange rates and inflation on the Company's profitability and countermeasures:

1. Changes in interest rates:

(1) impact of interest rate changes on the Company's profitability

For risk assessment and sensitivity analysis on financial risk, market risk, interest rate risk and foreign exchange risk, please refer to page192 of the annual report.

(2) Countermeasures against interest rate changes

Although the borrowing increased in 2020, the interest rate level was slightly lower compared to 2019. Therefore, the interest expenses remained flat year-over-year. The Company mostly employs short-term financing for a lower capital cost and closely monitors the trends of interest rate in the financial market.

2. Changes in exchange rates:

(1) Impact of exchange rate changes on the Company's profitability

For risk assessment and sensitivity analysis on financial risk,

market risk, interest rate risk and foreign exchange risk, please refer to page191-192 of the annual report.

(2) Countermeasures against exchange rate changes

The Company converts foreign currencies received based on currency trends and capital demands at the time. It also adjusts deposits denominated in foreign currencies to mitigate the impact of exchange rate changes on the Company's operation. Also, the Company constantly monitors the global political economy and gathers exchange rate data to determine their impact on the overall profitability and adopts appropriate actions.

3. Inflation:

(1) Impact of inflation on the Company's profitability

The Company monitors inflation closely. The purchase amount of Company and its subsidiaries is projected at NT\$11.26 million for 2021 based on the estimated average CPI change rate of 1.33% for 2021, which is derived from the average CPI change rate of -0.23% released by the Directorate-General of Budget, Accounting and Statistics, Executive Yuan for 2020.

(2) Countermeasures against inflation

The Company will adjust inventory level and product prices based on market conditions in a timely manner and strive to lower costs in order to reduce the impact on profitability.

(II) The policies, main causes of gain or loss and countermeasures with respect to high-risk, highly-leveraged investment, lending funds to other parties, endorsement and guarantee and derivative trading:

1. High-risk and highly-leveraged investment

The Company and its subsidiaries did not engage in any high-risk and highly-leveraged investments in 2020.

2. Lending funds to other parties, endorsement and guarantee and derivative trading

When the Company and its subsidiaries engage in lending funds to other parties, endorsement and guarantee and derivative trading, the Company would, in addition to complying with relevant procedures, make a public announcement and filing in accordance with the regulations of the competent authorities:

- (1) Lending funds to other parties: As of the date of this annual report, the Company provided loans only to its subsidiaries.
- (2) Endorsement and guarantees: As of the date of this annual report, the Company only provides endorsements and guarantees to associates accounted for using the equity method and the Company's 100%-owned subsidiaries provides endorsements and guarantees to the Company.
- (3) Derivative trading: The Company and its subsidiaries did not engage in derivative trading in 2020.

(III) Future research and development plans and estimated expenses:

The Company plans to invest in the development of high-tech functional fabric in 2021. The estimated expenses during the research and development period are projected to be NT\$155.12 million.

(IV) Impacts of changes in major domestic and overseas policies and regulations on Company's finance and business and countermeasures:

The Company's finance and business are in compliance with relevant laws and regulations. As of the date of this annual report, changes in major policies and laws and regulations both at home and abroad did not have material impacts on the Company's finance and business. In the future, the Company will also obtain relevant information on a timely basis and develop necessary countermeasures to meet the operational needs.

(V) Impacts of changes in technology on Company's finance and business and countermeasures: None.

(VI) Impacts of changes in corporate image on corporate risk management

and countermeasures:

The Company's operation has always adhered to the principles of prudence and integrity in building up the strength of its management team. It has maintained a good corporate image without significant changes.

(VII) Expected benefits and risks relating to merger and acquisition and countermeasures: None.

(VIII) Expected benefits and risks relating to plant expansion and countermeasures: None.

(IX) Risks of concentrated sources of sales or purchases and countermeasures: None.

(X) Impact and risk of sale or transfer of significant number of shares by the Directors, Supervisors or shareholders with over 10% of shareholding and countermeasures: None.

(XI) Impact and risk of change in management and countermeasures: None.

(XII) The Company, Directors, Supervisors, President, de facto responsible person, major shareholders with over 10% of shareholding and affiliates shall be listed for litigations and non-litigations. Major litigations, non-litigations, or administrative disputes with confirmed judgment or are still ongoing that can have significant impacts on the interests of shareholders or share prices: None.

(XIII) Other significant risks and countermeasures:

The Company establishes action plans for various information security risks based on information security policy and cyber security contingency plan. In accordance with the information system structure, mainframe recovery and data backup mechanism with high availability are established to ensure service quality. Data is also backup at remote sites with simulation tests and drills on data recovery strengthened to ensure the information system operates normally with data safeguarded. The Company can mitigate system downtime risk

due to unpredictable natural disasters and personal negligence to meet the expected system recovery timeline.

With the aim to quickly and successfully resume business operation and lower the extent of possible losses and risks when the information system is damaged, besides cyber insurance, countermeasures in place include annual information security meetings for each user units to report the importance on the use of various information system process; plan, design and enhance software and hardware facilities; and improve operating flows.

VII. Other Significant Matters: None.

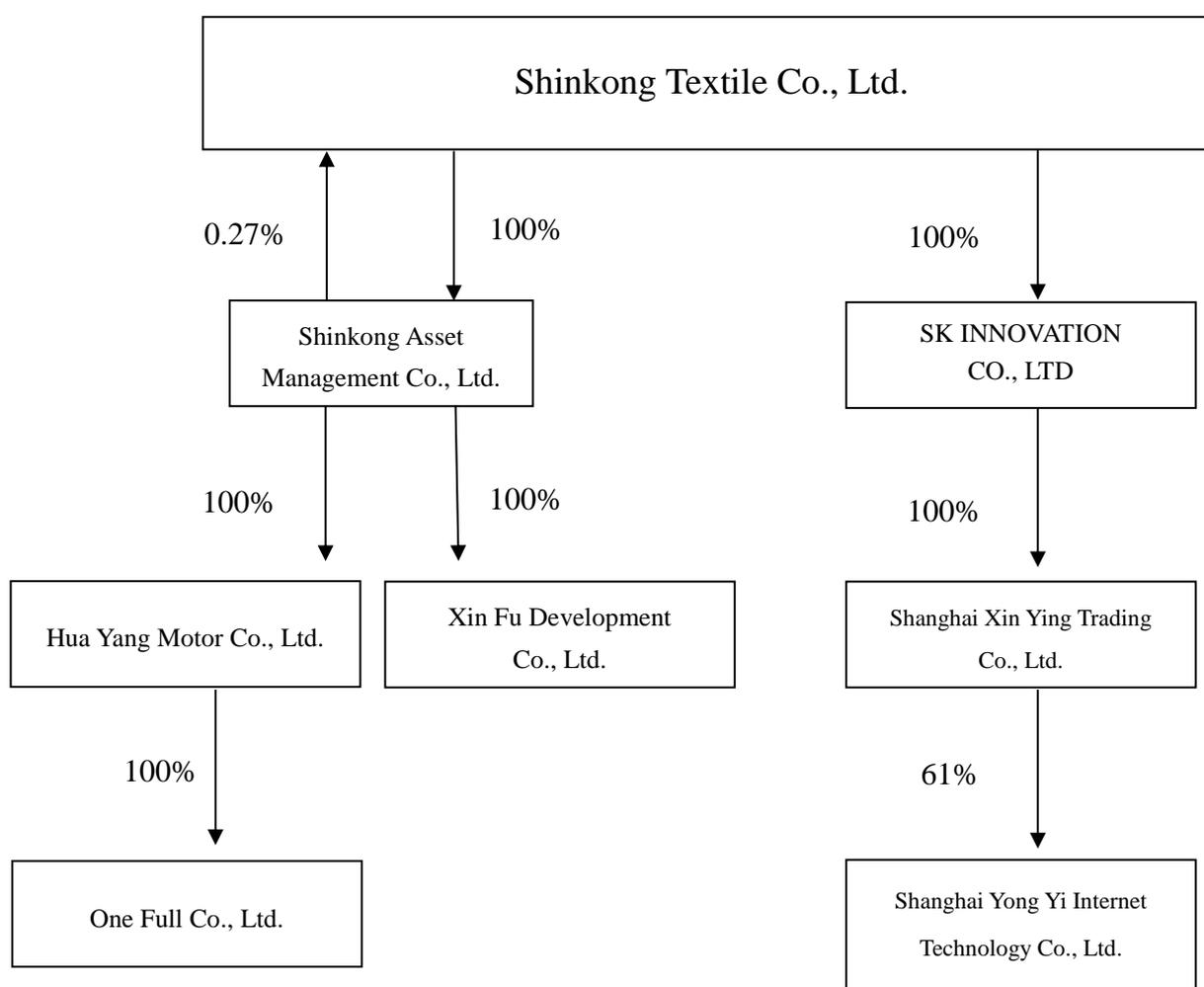
Chapter VIII. Special Notes

I. Information on Affiliates

(I) Consolidated business report of the affiliates

1. Chart of affiliates

(1) Controlling companies with shareholdings and de facto control and affiliates:



2. Basic information of affiliates

(In Thousands of New Taiwan Dollars)

Name of Affiliate	Date of Incorporation	Address	Paid-in Capital	Main Business or Products
Controlling company: Shinkong Textile Co., Ltd.	1955.06.06	6-7F., No. 123, Sec. 2, Nanjing E. Rd., Zhongshan Dist., Taipei City, 104475, Taiwan (R.O.C.)	3,000,413	Production and sale of a variety of cotton yarn, CVC yarn, synthetic fibers, fabrics, and finished fabrics; agency for the import and sale of garments, and the leasing and sale of buildings and public housing units constructed by builders commissioned by the Company
Shinkong Asset Management Co., Ltd.	1990.09.06	11F., No. 123, Sec. 2, Nanjing E. Rd., Zhongshan Dist., Taipei City, 104475, Taiwan (R.O.C.)	254,906	Development and rental of housing, building and industrial factory, development of specific areas and investment, development and construction in public construction
SK INNOVATION CO., LTD.	2012.03.15	Portcullis Trust Net Chambzs, P.O. Box1225, Apia, Samoa	21,424	Investment
Shanghai Xin Ying Trading Co., Ltd.	2012.08.17	Rm. 402, Building 10, No.258, Chengjiaqiao Rd., Minghang District, Shanghai, China	21,362	Garments, umbrellas, shoes, and hats, knitted products, leather suitcases, daily commodities, craft gifts (except for cultural relics), jewelries (excluding rough or raw diamond), packaging materials, toys, electronic products retail, import and export, commission agent (except for auction) and provide related supporting services
Shanghai Yong Yi Internet Technology Co., Ltd.	2018.11.30	Rm. 2661, Building A3, No. 58, Fuminzhi Rd., Hengsha Township, Chongming District, Shanghai, China	276	Development of specialized field in internet technology, technical service, technology transfer, technical consultation, internet business and e-commerce.

Name of Affiliate	Date of Incorporation	Address	Paid-in Capital	Main Business or Products
Xin Fu Development Co., Ltd.	2015.02.09	11F., No. 123, Sec. 2, Nanjing E. Rd., Zhongshan Dist., Taipei City, 104475, Taiwan (R.O.C.)	200,000	Development and rental of housing, building and industrial factory, and development of specific areas
Hua Yang Motor Co., Ltd.	2015.02.10	11F., No. 123, Sec. 2, Nanjing E. Rd., Zhongshan Dist., Taipei City, 104475, Taiwan (R.O.C.)	337,000	Businesses include the wholesale and retail sale of motor vehicles, retail sale of auto and motorcycle parts and accessories, automobile repair, other automobile services, retail sale of culture, education, musical instruments and educational entertainment supplies, retail sale of tires and tubes, agency service, leasing, and manufacturing of motor vehicles/motorcycles and their parts
One Full Co., Ltd.	2020.09.29	6F., No. 123, Sec. 2, Nanjing E. Rd., Zhongshan Dist., Taipei City, 104475, Taiwan (R.O.C.)	30,000	Retail sale of cloths, retail sale, retail sale without storefront, other integrated retail sale, international trade, warehousing, and tally packaging

3. Shareholders in common of the Company and its affiliates with deemed control and subordination: None.

4. Industries in which the affiliates operate:

Please refer to 2. Basic information of affiliates.

5. Information of the directors, supervisors and presidents of the affiliates:

(In New Taiwan Dollars, Shares, %)

Name of Affiliate	Title	Name or Representative	Shareholding	
			Number of Shares	Ownership %
Controlling company: Shinkong Textile Co., Ltd.	Chairman	Ji Zhen Co., Ltd. Representative: Hsing-En Wu	19,650,000	6.55%
	Director	Representative: Hsin-Hung Wu Representative: Chin-Fa Chiu		
	Director	Shin Kong Wu Tung Ching Foundation Representative: Po-Han Lin		
	Independent Director	David Ching	0	-
	Independent Director	Hon-Kit Shing	0	-
	Independent Director	Mao-Jung Wang	0	-
	President	Chin-Fa Chiu	290	-
Affiliates: Shinkong Asset Management Co., Ltd.	Chairman	Shinkong Textile Co., Ltd. Representative: Hsing-En Wu	25,490,646	100.00%
	Director	Representative: Hsin-Hung Wu		
	Director	Representative: Tung-Sheng Wu		
	Director	Representative: Hsin-Tung Wu		
	Director	Representative: Shu-Ti Chang		
	Supervisor	Representative: Tung-Sheng Wu		
	Supervisor	Representative: Shih-Chi Hung		
	Supervisor	Representative: Shih-I Cheng		
	Supervisor	Representative: Cheng-Ping Huang		
SK INNOVATION CO., LTD.	Director	Shinkong Textile Co., Ltd. Representative: Chin-Fa Chiu	700,000	100.00%
Shanghai Xin Ying Trading Co., Ltd.	Director	Shinkong Textile Co., Ltd. Representative: Chin-Fa Chiu	-	100.00%
	Supervisor	Representative: Shu-Ti Chang		

Name of Affiliate	Title	Name or Representative	Shareholding	
			Number of Shares	Ownership %
Shanghai Yong Yi Internet Technology Co., Ltd.	Director Director Supervisor	Shanghai Xin Ying Trading Co., Ltd. Representative: Hsing-En Wu Representative: Kuo-Hua Chao Representative: Ying-Tzu Lai	-	61%
Xin Fu Development Co., Ltd.	Chairman	Shinkong Asset Management Co., Ltd. Representative: Shu-Ti Chang	20,000,000	100.00%
Hua Yang Motor Co., Ltd.	Chairman	Shinkong Asset Management Co., Ltd. Representative: Hsing-En Wu	33,700,000	100.00%
One Full Co., Ltd.	Chairman Director Director Supervisor	Hua Yang Motor Co., Ltd. Representative: Shu-Ti Chang Representative: Hsing-En Wu Representative: Chih-Jen Wang Representative: Cheng-Ping Huang	3,000,000	100.00%

6. Operational highlights of affiliates

(In Thousands of New Taiwan Dollars)

Name of Affiliate	Capital	Total Assets	Total Liabilities	Net Worth	Sales Revenue	Operating income	Net Income (after Tax)	Earnings per Share (NT\$) (after Tax)
Shinkong Textile Co., Ltd.	3,000,413	12,477,092	3,389,728	9,087,364	1,946,096	69,776	365,025	1.22
Shinkong Asset Management Co., Ltd.	254,906	2,578,091	918,923	1,659,168	187,274	100,367	73,375	2.88
SK INNOVATION CO., LTD.	21,424	11,402	-	11,402	-	-	(4,407)	(6.30)
Shanghai Xin Ying Trading	21,362	13,027	1,628	11,399	3,430	(3,678)	(4,409)	-

Co., Ltd.								
Shanghai Yong Yi Internet Technology Co., Ltd.	276	23	12	11	1,085	(1,044)	(1,044)	-
Xin Fu Development Co., Ltd.	200,000	770,179	560	769,619	7,293	4,312	3,452	0.17
Hua Yang Motor Co., Ltd.	337,000	565,987	236,706	329,281	43,201	6,987	(1,011)	(0.03)
One Full Co., Ltd.	30,000	31,495	4,870	26,625	-	(3,375)	(3,375)	(1.13)

(II) Consolidated financial statements of affiliates

Representation Letter

The entities that are required to be included in the combined financial statements of Shinkong Textile Co., Ltd. as of and for the year ended December 31, 2020, under the "Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises" are the same as those included in the consolidated financial statements prepared in conformity with the International Financial Reporting Standards No. 10. In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Therefore, Shinkong Textile Co., Ltd. does not prepare a separate set of combined financial statements.

Sincerely,

Company name: Shinkong Textile Co., Ltd.

Responsible person: Hsing-En Wu

March 30, 2021

(III) Affiliation reports: Not applicable.

II. Private Placement of Securities in the Most Recent Year and as of the Date of this Annual Report: None.

III. The Company's Shares Held or Disposed of by Subsidiaries in the Most Recent Year and as of the Date of this Annual Report: None.

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

Name of Subsidiary	Paid-in Capital	Source of Capital	Shareholding % of the Company	Date of Acquisition or Disposal	Number and Amount of Shares Acquired	Number and Amount of Shares Disposed of	Investment Income (Loss)	Number and Amount of Shares as of the Date of this Annual Report	Pledge	Endorsements/Guarantees to Subsidiary	Lending of Funds to Subsidiary
Shinkong Asset Management Co., Ltd.	254,906	-	100.00%	-	-	-	-	803,829 shares NT\$13,174 thousand	-	-	-

IV. Other Necessary Supplement:

(I) Review on the implementation of resolutions of the shareholders' meeting in 2020

1. Election of Directors across-the-board.

Implementation status: Election outcome was released as material information on the date of the shareholders' meeting.

2. Approved the 2019 business report and financial statements.

3. Approved the 2019 earnings distribution.

Implementation status: The record date was set to be August 6, 2020. Distribution was completed by September 3, 2020 pursuant to the resolution of the shareholders' meeting. (Each share was entitled to cash dividend of NT\$1 and the total cash dividends to shareholders amounted to NT\$300,041,280.)

4. Approved the amendments to the Company's Articles of Incorporation.

Implementation status: The amended Articles of incorporation was

disclosed at the Company's website and the registration was completed on July 27, 2020 per approval from the Ministry of Economic Affairs.

5. Released newly elected Directors from the non-compete restrictions.

Implementation status: The resolution was released as material information on the date of the shareholders' meeting.

(II) Major defects and corrective action for penalties imposed upon the Company by laws in the most recent year and as of the date of this annual report: None.

V. Any Events in 2020 and as of the Date of this Annual Report that had Significant Impacts on Shareholders' Right or Security Prices as Stated in Subparagraph 2 of Paragraph 3 of Article 36 of the Securities and Exchange Act: None.

Shinkong Textile Co., Ltd.



Chairman: Hsing-En Wu

